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InvestmentAge

The newspaper of corporate and institutional investing

Getting the jump on FASB

Ameritech starts retiree health fund

By Barry B. Burr

CHICAGO — American Information Technologies Corp. set up a taxable trust fund and made an initial contribution of $50 million under a new long-term program to fully pre-fund on an accrual basis its billions of dollars in retiree health-care benefits.

Ameritech's decision to pre-fund benefits largely was made in anticipation of the Financial Accounting Standards Board's proposed rule on accounting for medical and other non-pension retirement benefits. While the proposed rule would not take effect until 1992, at the earliest, an exposure draft was issued Feb. 14.

"I think we're the first company taking a sophisticated projection of the liability stream and crafting an investment policy around it," said Donald W. Phillips, Ameritech's director-investment management. "We're trying to be a leader in pre-funding this retiree medical liability."

(Another baby Bell — BellSouth Corp., Atlanta — set up a VEBA in 1986 to pre-fund its retiree medical benefits. As a result, a company spokesman said, the trust will reduce the amount of liability BellSouth would have to report under FASB. The company didn't disclose details.)

"A lot of attention has been focused on the liabilities, but very little conversation has been associated with funding and very little with investment strategy," Mr. Phillips said.

"We have a funding policy coupled with an investment policy that will defease that liability in a reasonable period."

Under the FASB proposal, corporations would be required to report such accrued liabilities and expenses in their financial statements beginning in 1992 and recognize unfunded obligations on their balance sheets in 1997. Critics contend the rule would affect dramatically corporate income and shareholder equity.

Facts on FASB: Page 47

Photo by Michael Marcotte

Ameritech is putting $100 million into a new trust this year to pre-fund its retiree health benefits.

"For some companies, the obligation . . . may be an employer's greatest single liability," Diana Scott, FASB project manager, said in a statement.

"FASB is giving the world its largest single taxable investor," Mr. Phillips quipped, anticipating the formation of similar programs by other companies.

Ameritech expects to contribute another $50 million in the next few months, raising its total first-year contribution to the infant fund to $100 million. Mr. Phillips declined to disclose Ameritech's exact retiree medical-care liabilities but suggested an estimate for the present value of Ameritech's retiree medical liabilities is $2.2 billion to $2.9 billion.

"Our objective is to raise enough money in an orderly fashion to offset that liability," Mr. Phillips said. "Our goal is to be fully funded as soon as it is prudently possible."

Mr. Phillips said he worked intensely on the program with three key outside advisers: Jess B. Yawitz, chief investment officer of Goldman, Sachs& Co.'s St. Louis-based asset management unit; Thomas S. Terry, vice president and actuary at TPF&C, Chicago; and Michael J. Gulotta, president and chief actuary of Actuarial Sciences Associates, Piscataway, N.J., a unit of American Telephone & Telegraph Co.

Goldman, Sachs Asset Management expects to receive the $50 million sometime in March, and will invest the proceeds initially in a portfolio of Treasury securities, according to Messrs. Phillips and Yawitz. As the trust grows, other asset classes, including equities, likely will be used.

Ameritech set up the trust known as a VEBA, or voluntary employee beneficiary association, under section 501(c)(9) of the tax code. Earnings on trust investments will be considered unrelated business income, with taxes paid by the trust at Ameritech's

Continued on page 47

FSLIC taking property sale abroad

By Holly Smith

LONDON — The U.S. Federal Savings and Loan Insurance Corp. is trying to interest foreign investors in purchasing foreclosed American real estate.

Promotional literature for a Feb. 28 seminar on the sale identifies the seller as "principals of the largest real estate portfolio in the world," which knowledgeable sources confirmed is the FSLIC. FSLIC spokesman David Barr in Washington said he could not comment on whether the FSLIC is offering the properties for sale at the seminar.

About seven "showpiece" properties — hotels, shopping centers, office buildings, undeveloped land and apartment complexes — will be highlighted at "extremely advantageous prices" at the U.S. Embassy in London, the promotions said, along with other properties. Miller Marketing Network Ltd., a New York-based international real estate brokerage firm, is handling the sale.

Kenneth Miller, president of Miller Marketing Network, said the properties are worth $12 billion, but he wouldn't divulge the identity of the principals because they sought anonymity. Buyers examining specific properties in the portfolio also will be asked to sign a confidentiality statement.

Some FSLIC properties, most acquired through insolvent thrift institutions across the United States, have been offered at Miller Marketing's London real estate shows before. The FSLIC was open about its ownership then.

Mr. Miller said the client had asked to remain anonymous because it wanted all inquiries channeled through one office. "They can't handle a flood of calls," he said.

The foreign offering comes at a time when the beleaguered FSLIC and its related agencies are accused of mishandling both the supervision of U.S. thrifts and the prosecution of unscrupulous thrift operators. The cost of resolving the industry's problems is now estimated to be at least $100 billion.

When asked about the amount of properties held by FSLIC, Mr. Barr said he did not have a total valuation, but estimated 2,000 separate properties are in the portfolio.

Specific properties being offered to the London audience of potential investors include the 18,000-acre Sugarloaf Hunting Lodge in Wichita Falls, Texas; Braesbrook Landing, a 1,903-unit apartment complex in Houston; and the Mutiny Hotel in Coconut Grove, Fla.

The values of individual properties range from $20,000 to $350 million.

Mr. Miller also said although the properties are being offered "exclusively" within Europe at the Feb. 28 seminar, many already may have been offered within the United States. ■

INSIDE: Best deals, part 3 - Page 13

LATE NEWS

Reaction calm to Morgan Stanley

Institutional investors' initial reactions to Morgan Stanley & Co.'s decision to resume stock index arbitrage trading for its own account generally were calm and unperturbed.

"I don't think there's any problem with these firms doing this activity," said Keith Tucker, vice president in charge of the $12 billion pension fund at E.I. du Pont de Nemours & Co., Wilmington, Del. Mr. Tucker said he doesn't think such trades add to market volatility.

More participants in index arbitrage actually will make pricing more efficient, said Lester Brol, second vice president of Northern Investment Management Co., Chicago, which does arbitrage on between $800 million and $900 million in client assets. Morgan Stanley is acting responsibly by saying it will suspend the activity during extreme market volatility, he added.

Morgan Stanley and four other Wall Street firms announced last May they were stopping index arbitrage for their own accounts, while continuing to execute such trades for customers. Several other major brokers had ceased the activity earlier.

Explaining the move, Morgan Stanley officials said decreased volatility and industry cooperation had increased investors' confidence in the stock market. Also, index arbitrage is important in linking the stock and futures markets, they said.

California fund drops proposals

SACRAMENTO, Calif. — The $46 billion California Public Employees' Retirement System has withdrawn its shareholder resolution at Wells Fargo & Co. and plans to drop its proposal at Continental Corp.

The first proposal had sought the reincorporation of Wells Fargo in California. Rich Koppes, general counsel for the California Public Employees' fund, said the proposal was dropped following a meeting with bank officials, in which they convinced fund executives the state's director and officer liability coverage was unacceptable.

At Continental, the California fund had sponsored a resolution calling for a confidential proxy voting system for the 1989 proxy season. Continental management has agreed to implement such a system, so the proposal will be withdrawn, Mr. Koppes said.

Bill targets buy-out investments

CHICAGO — A political action group wants to stop Illinois state pension funds from investing in leveraged buy-outs and other takeovers.

The bill is aimed specifically at the $2.7 billion Illinois State Board of Investment and its $52 million investment with Kohlberg Kravis Roberts & Co., New York, according to John Cameron, associate director, Illinois Public Action Council.

Mr. Cameron said state Rep. Ellis Levin, a Chicago Democrat, plans to introduce a bill in the next legislative session prohibiting pension funds in the state from making such investments. The Legislature convenes March 1. Mr. Levin was unavailable for comment.

Seidel starts management firm

MONROE, Conn. — David A. Seidel, formerly president and chief operating officer of Management Asset Corp., Stamford, Conn., and a pension executive for GTE Corp. and other companies, has opened his own investment management firm.

Seidel Associates Inc., Monroe, Conn., will provide value equity investing, emphasizing customized risk control and low transaction costs for institutional and individual clients.

Mr. Seidel hopes the firm eventually will have $1 billion under management from institutional and individual investors.

Tenneco selects master trustee

HOUSTON — Tenneco Inc. hired Bankers Trust Co., New York, as master trustee for its $1.8 billion in defined benefit assets, said Alan Stewart, pension officer.

Bankers Trust replaces NCNB Texas National Bank, Dallas, which retains trusteeship of Tenneco's roughly $800 million 401(k) plan. The change was effective at year end. No consultant was used.

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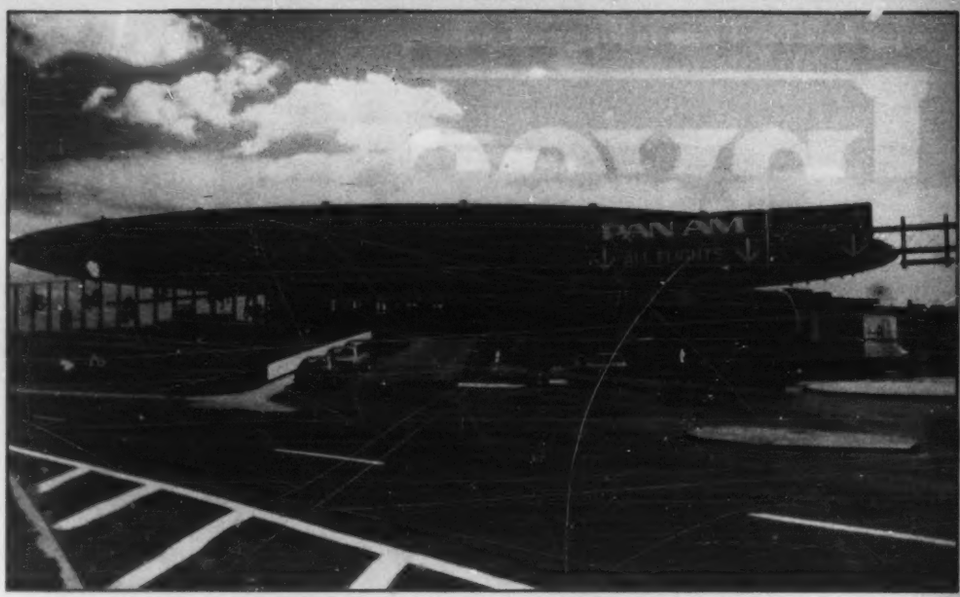
Questionnaires were mailed

Questionnaires for the 1989 Investment Adviser profile issue have been mailed. If you have not yet received a questionnaire and wish to be included in this year's survey, please contact Christine Philip, directory coordinator, at *Pensions & Investment Age*, 740 N. Rush St., Chicago, Ill. 60611-2590; (312) 649-5217.



Contribution of Pan Am's Kennedy Airport lease to its pension fund might not help the company.

Too little, too late?

Lease transfer might not help Pan Am

By Joel Chernoff

NEW YORK — The transfer of Pan American World Airways Inc.'s leasehold interest in its John F. Kennedy International Airport passenger terminal to Pan Am's pension fund finally is moving ahead, but it might be too late for the troubled airline.

In the past 14 months, the $172 million transaction has hit one snag after another, including the withdrawal of its independent fiduciary because the fiduciary could not evaluate the potential financial exposure from asbestos in the terminal.

In the past five months, the airline has been forced to contribute $61 million in needed cash to five of its underfunded defined benefit plans as it has waited for necessary government approvals for the leasehold transfer.

Pan Am expects to recoup the $61 million. The transaction, as it is now structured, would require the pension fund to purchase an interest in the leasehold equal to the amount contributed since last September, while the residual value of the lease is contributed to the fund in lieu of cash for both past and future contributions. The terminal would be leased back to Pan Am, which would pay rent to the pension funds of $2.78 million a month, resulting in a 14.5% return to the five pension plans.

Even so, Pan Am's financial situation and inability to compete with other major carriers are forcing it to seek a merger partner. Thomas G. Plaskett, chairman and chief executive officer of parent company Pan Am Corp., recently told a financial analysts' meeting that Pan Am needs to be part of a larger route network. Pan Am lacks access to future aircraft delivery, and gates at airports are tightly controlled. No substantive talks are under way, said Jeff Kreindler, a Pan Am spokesman.

The airline has been shopped extensively during the past two years, including close looks by

Continued on page 46

Japanese adopt quant strategies

By Margaret Price

NEW YORK — Japanese money managers have embraced quantitative investment strategies as a way to impress would-be clients, but still have had only minimal success in the U.S. pension market.

Traditionally active, fundamentally oriented managers, the Japanese have good reasons for seeking new investment strategies. Sources say most, if not all, of the Big Four Japanese money managers in the United States — Nomura Capital Management Inc., Daiwa International Capital Management Corp., Nikko Capital Management (U.S.A.) Inc. and Yamaichi Capital Management Inc. — failed to beat the Morgan Stanley Capital International Japanese Index last year, which returned 34.8% without dividends reinvested.

Overall performance for 1988 also was lackluster in some cases.

Daiwa Capital, which has nine U.S. pension accounts totaling $550 million under management, logged a 15.44% return last year, according to Yasutaka Kimura, president.

Although data were not available from Nomura Capital, one source reported it posted about a 16% total return last year. Nomura has 17 U.S. pension accounts representing $1.424 billion.

In comparison, the MSCI World Index returned 23.94%, according to Pensions & Investments' Performance Evaluation Report.

Nikko, with eight U.S. pension fund clients representing $400 million, would not disclose 1988 performance numbers. Yamaichi Capital Management has no U.S. pension money under management, but has signed a U.S. pension fund client that officials would not identify.

Experts offer a plethora of explanations why Japanese money managers — with the possible exception of Nomura — have had limited success attracting U.S. pension assets and why they have failed to beat consistently the Tokyo market.

Sales problems can range from poor marketing campaigns to hesitancy by U.S. plans to invest with unfamiliar money managers.

In the performance arena, at least some of the Japanese-based managers have confronted the same problems as Western managers in beating indexes.

Many money managers have had trouble discerning the hot theme stock in Tokyo. And sometimes, managers intentionally avoid trading heavily in the Tokyo market — even though it's

Continued on page 47

Sell-off of malls ill-timed

By Andrew Reinbach

Many high-priced shopping malls will be put up for sale in 1989, just as many investors are having second thoughts about whether they're worth the money.

In addition to prices based on capitalization rates that now are dropping below 5% — and in some cases below 4% — the problem facing shopping centers is slowing retail sales growth. Equitable Real Estate Investment Management Inc., for instance, recently dropped its retail growth projections to between 4% and 5% from 7.1%.

"Whether you arrive at it from the supply side or the demand side, shopping centers just aren't a growing market anymore, though this just isn't a thesis developers would ascribe to," said Cyrus C. Wilson, chairman of Management Horizons, retail consultants based in Dublin, Ohio, and a division of Price, Waterhouse & Co.

Declining demographics

Continued on page 45

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Bit of hope for thrifts

Some investors see promise in Bush plan

By Marlene Givant Star

President Bush's proposed thrift rescue plan has sparked institutional investors to take a fresh look at savings and loans, although few are satisfied the industry is ready for a new wave of investment.

Brandywine Asset Management, Wilmington, Del., which runs $550 million for U.S. tax-exempt clients, has increased savings and loan stocks to 7% of its assets under management from 4% at the beginning of 1988.

"The price-to-book ratios are, at most, 60%. The ones we have are very high-quality institutions with well-diversified loan portfolios," said Tony Hitschler, president of Brandywine.

The $800 million Duke Endowment fund, Charlotte, N.C., is keeping tabs on developments because one of its active managers is pursuing savings and loan investments, according to Will McLean, assistant investment officer.

Not all investors, however, have been convinced of the merits of savings and loan investments.

Although she's heartened the Bush administration is rapidly addressing key issues in the industry, Wendy Heavner, associate analyst of Kemper Financial Services, Chicago, said: "I'm not going to make any immediate investment in the area. There are still so many unanswered qu tions."

"Near term, there is a ri probably as high as it has bee in savings and loan stocks, s Gary Ciminero, chief econom of Fleet/Norstar Financial Gro the parent of Fleet National Ba which runs $5.6 billion for p sion funds.

The firm's investment pol has steered away from savi and loans, both small and la because problems with fail thrifts spill over into the health ones, Mr. Ciminero said.

Institutions are heavy invest in financial services compani they own more than $6 bill in savings and loan associat stocks and more than $60 bill in commercial banks.

"Institutions are pretty heav weighted in the financial sec They've probably already be profoundly affected" by the s ings and loan crisis, said Sp Kripotos, executive vice presid of CDA Investment Technolog Inc., Rockville, Md., which co piles reports based on 13F fili with the Securities and Excha Commission by institutions w $100 million or more in disc tionary assets.

As of Sept. 30, institutio owned 55% of the assets of s ings and loans compared w only 35% of the shares outsta ing of companies across all ind try groups, according to CDA.

Institutions also were the m jority owners of money cen banks.

About 70% of the institutio assets covered in the reports from pension funds, Mr. Kripo estimated.

President Bush's rescue pl calls for:

- The creation of an ent called the Resolution Fundi Corp. to issue $50 billion in year bonds to help finance bailout of failing savings a loans;
- The separation of the Fede Savings and Loan Insuran Corp. from the Federal Ho Loan Bank;
- Increased insurance prem ums on deposits for both ban and thrifts;
- Increased enforcement a thority over the savings and lo industry; and
- Creation of a Resolution Tr Corp. to restructure insolve thrifts.

With the recent political a media attention to the savi and loan crisis, "there's a little of a renewed interest on the p of institutional investors in S& It's very specific in terms of goi after high quality, which I think appropriate," said Diane Ste berg, a vice president of Dre Burnham Lambert Inc., N York.

Bruce Harting, a vice presid of Kidder, Peabody & Co., N York, said institutions have be eyeing savings and loan inve ments since Robert Bass, Ron Perelman and other big-name vestors entered the thrift inve ment arena. Since late 198 "there has been enormous inter in the investment side of the thr industry — both equities and r tructuring deals," he said.

Officials of both the $500 m lion Houston Retirement Syst and the $8 billion Los Ange County Retirement Associati are exploring ways for their fun to invest in the savings and lo industry (*Pensions & Investm Age*, Feb. 6).

Bond investors, however,

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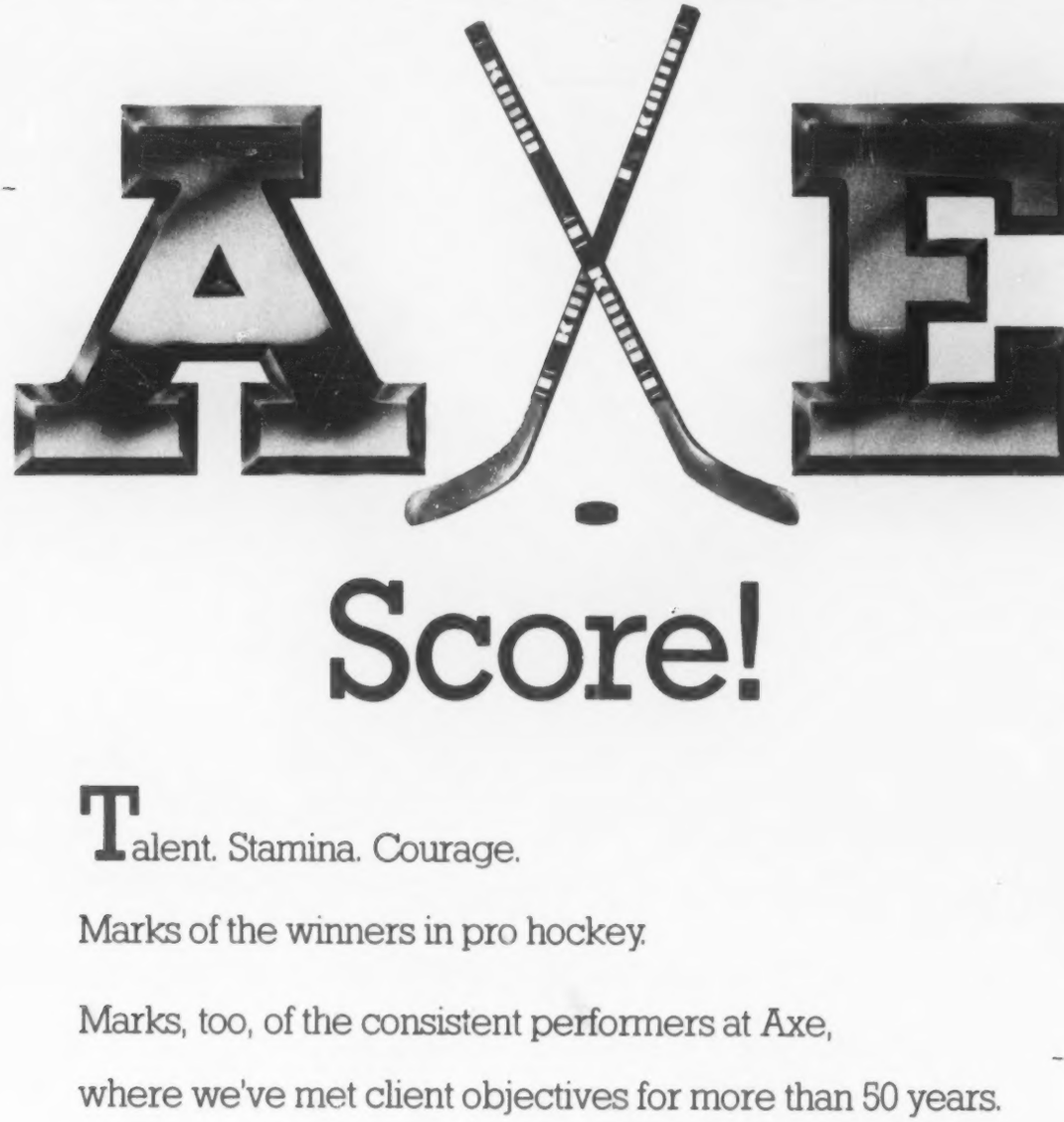

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PIPER

'Junk' funds on top

By Fred Williams

Fixed-income portfolio managers with holdings in higher quality, long-term industrial bonds and high-yield bonds topped the universe of Pensions & Investments' Performance Evaluation Report for the fourth quarter of 1988.

Concerns about the effect of the RJR Nabisco Inc. leveraged buyout on the credit quality of many corporate bonds caused portfolio managers to look to higher quality, non-takeover companies such as electric utilities to avoi' having the bonds downgraded o the junk category. High-yield bond portfolios continued to perform well in the PIPER universe, as they have for the past several quarters.

For the three- and 12-month periods ended Dec. 31, the Shearson Lehman Hutton Government/Corporate Bond Index median return was 0.96% and 7.58% respectively. The median PIPER return was 0.95% and 7.56% for the same periods.

First Variable Life Insurance Co., Little Rock, Ark., finished in the top spot for the fourth quarter with 4.32% for its separate account D-2 high-yield bond fund. The First Variable fund also topped the list for the year with a 17.88% return, finished second overall for the three-year period with 12.83% and second for the 10-year period with 13.47%. First Variable also finished in the top 10% of all funds for the five-year period with a return of 14.54%. All returns for periods of more than 12 months are compound annual figures.

The median PIPER return was 8.12% for the three-year period, 11.49% for the five-year period and 10.49% for the 10 years.

Beverly Bank & Trust Co., Chicago, also finished in the upper 10% of all funds for the quarter, one-, three-, five- and 10-year periods. The Beverly fund concentrates on high-quality, higher coupon, long-term bonds.

First Variable Life's $2 million high-yield bond fund is managed by Rebecca Garner, vice president at Amherst Investment Management Co., the investment arm of Monarch Capital Corp., Springfield, Mass., which owns the insurance company.

"I buy value and I buy things I think I can hold for the long term," Ms. Garner said. "In 1988, all of our long-term holds were bought prior to 1988. We are very comfortable with our long-term approach and we have proven that it pays. We are out of an issue the instant that we are uncomfortable from a fundamental view. We don't wait around. We focus on viable credits with an upgrade potential and stability over the long term."

She said the First Variable portfolio follows a "three-year rule" on its high-yield bonds. "If a company is going to default (on its bond obligations), it usually will default in three and a half to four years. We have a three-year rule which requires that each issue gets a complete re-evaluation every three years as if we had just bought it. If it doesn't hold up, we are out of it."

Beverly Bank has developed a solid top level performance record in every period covered by PIPER, with quarter, one-, three-, five- and 10-year returns of 2.41%, 17.05%, 11.56%, 14.86%, and 13.6% respectively.

"My present approach is one where I'm using high-coupon, fixed-income securities with average calls of around five to seven years," said Ron Stajkowski, president of Beverly Bank.

For the longer term, he said, "I guess one thing I like is to buy securities and pay a premium to get that coupon flow. If I have a choice between 9% or 12%, I will always buy the 12% coupon. That allows me to constantly have money up for reinvestment even if there is no new money coming into the fund. If the average coupon rate is 11% and there is $10 million in the fund, I have $1.1 million to be reinvested annually, that allows me to grow the fund," said Mr. Stajkowski, who has managed the fund for 10 years.

He said longer maturity fixed-income securities "are the safest place to be" in the current economic environment, even with the inverted yield curve.

"Anyone who is managing bonds and who stays short — less than one year — is making a serious mistake because prices are coming down and will miss the price appreciation," he said.

Fixed income funds
(periods ended Dec. 31, 1988)

	Quarter	1 yr.	3 yr.	5 yr.	10 yr.
Highest return	4.32%	17.88%	14.21%	16.46%	13.62%
First quartile	1.24	8.89	8.72	12.39	11.3
Median	0.95	7.58	8.12	11.49	10.49
Third quartile	0.74	6.98	7.85	10.63	9.97
Lowest return	-1.2	4.75	1.22	3.78	8.71
Shearson G/C	0.96	7.56	8.36	12.16	11.01

The long-term bond fund of NCNB Texas National Bank, Dallas, also finished in the top decile for the quarter with a 2.08% return.

Brian Blake, portfolio manager, said the fund is part of NCNB's asset allocation program. The fund "concentrates on the long end of the (yield) curve and is best suited for those interested in asset allocation. The exposure to the fund could be zero, 5% or 10% de-

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PUBLIC FUND MANAGERS

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Takeover stocks win

Pooled equity funds
(periods ended Dec. 31, 1988)

	Quarter	1 yr.	3 yr.	5 yr.	10 yr.
Highest return	7.27%	35.78%	21.26%	24.24%	23.08%
First quartile	3.39	19.61	13.67	13.37	16.9
Median	2.37	16.34	12.29	13.66	15.77
Third quartile	1.39	11.07	10.21	11.94	14.27
Lowest return	-12.0	-20.67	-6.33	5.6	9.08
S&P 500	3.69	16.57	13.38	13.38	15.38

By Curtis Vosti

Two prominent takeovers fueled the top performers among bank and insurance company commingled equity funds during the fourth quarter, according to Pensions & Investments' Performance Evaluation Report.

As **RJR Nabisco Inc.** and **Kraft Inc.** went into play in the fall, their stocks soared. RJR was taken private by the leveraged buy-out king, Kohlberg Kravis Roberts & Co., while Kraft was taken over by Philip Morris Cos. Inc.

Prominent holdings in those two stocks helped First National Mercantile Bank, Joplin, Mo., Bank One Wisconsin Trust, Milwaukee, and NCNB National Bank, Charlotte, N.C., finish first, second and third respectively among 314 funds.

First National Mercantile's Growth and Income Fund A returned 7.3%; Bank One Wisconsin Trust's growth equity fund returned 7.1%; and NCNB's equity fund, 6.7%.

The PIPER median came in at 2.4%, lagging the Standard & Poor's 500 Stock Index return of 3.1%.

First National Mercantile's fund has a long-term orientation, according to Thomas Atteberry, investment officer. "You have to buy a company for one, three, five years minimum," he said. "I'm convinced that's where wealth is built."

The fund focuses on companies that have a long history of increasing dividends and earnings. "We don't have a big down side when the market softens," he said. "The yields hold us up."

Both RJR and Kraft had been in the $17 million portfolio for at least five years, Mr. Atteberry said. The bank took profits when those takeovers were announced, but didn't get completely out of the stocks until it accepted the tender offers.

Bank One Wisconsin Trust's $20 million fund, which is managed by the bank's Fox River regional office in Neenah, Wis., holds about 37 different stocks and had a 2% cash position during the fourth quarter, according to Scott Andrews, vice president and chief investment officer in Neenah. The fund has relatively low turnover.

"We try to find high-quality companies by looking for a total return that has some balance between capital appreciation and current income," Mr. Andrews said. "We look for at least market yields."

The fund had a 2.9% position in Kraft and a 2.4% position in RJR Nabisco at the start of the quarter. As the companies went into play, he said, the Kraft holdings jumped to 5.1% of the portfolio because of market appreciation. The company took profits on Kraft by selling almost half of it 9,000 shares, and then tendered the balance to Philip Morris, he said.

Mr. Andrews has held onto the RJR Nabisco stock so far and will tender it this year. Other large holdings include **IBM Corp.**, **PepsiCo Inc.** and **Waste Management Inc.**

The $120 million equity fund of NCNB is overweighted in consumer staples, according to Ed Riley, director of corporate and institutional portfolio management. As with the other two top finishers, the fund's strong fourth-quarter performance was fueled by longtime holdings in RJR Nabisco and Kraft.

"They were consistent with our emphasis on franchises and good quality management," he said.

The fund typically has between 40 and 50 issues, Mr. Riley said, with 100% turnover during the year. "Our time horizon is six to 12 months," he said. "We are fairly active managers."

In the fourth quarter, the fund added to its **American Telephone & Telegraph Co.** holdings, he said, because it was selling at an attractive valuation based on expected earnings. Positions also have increased in Phillip Morris, he said, because it was selling at less than 10 times expected earnings.

For the 1988 calendar year, the PIPER median returned 15.3%, again lagging the S&P 500 at 16.6%.

Topping the equity funds for the year was Boatmen's Trust Co., St. Louis, formerly Centerre Trust Co. until bought out by Boatmen's in the fourth quarter, with a 35.78% return.

The $66 million fund is based on a valuation process that is driven by a dividend discount model, according to James McGuire, chief investment officer.

The portfolio holds an average of 35 stocks, and in 1988 had an above-average 90% turnover rate, Mr. McGuire said. Usual turnover rate is about 70%, he said, but in 1988, the model called for additional sells.

After October 1987, the market overreacted to many stocks, he said.

As a result, the fund bought financials such as **PaineWebber Group Inc.** and **Salomon Inc.**, and others such as **Tandy Corp.** and **Payless Cashways Inc.**

By the end of 1988 , Payless and Tandy were sold, along with **Chemical New York Corp.**, **Humana Inc.** and **Citicorp.** Profits were taken from Salomon and PaineWebber, although the positions were not wiped out, Mr. McGuire said.

Once the threat of recession dissolved in the second half of 1988, he said, the company invested in large-capitalization stocks, such as **General Electric Co.** and **Eastman Kodak Co.**, that hadn't participated in the first-of-the-year rally.

For the three years ended Dec. 31, the median PIPER return wa 12.3%; the S&P 500 was 13.4 Performance figures for periods more than one year are compoun annualized.

The first- and fifth-place fund for three years are sponsored b different banks but managed b the same firm, James Investmen Research, Alpha, Ohio.

The $5.5 million Retiremen Fund L of Bank One, Indianapo lis, finished first with a compoun annualized return of 21.3%, an the $10 million Retirement Fun C of State Bank & Trust Co., Def ance, Ohio, returned 18.4%. Fran E. James Jr., president, and hi son, Frank E. James III, vice pre ident, said the investment philoo ophy for the two funds are abou the same, but results are differen because of the timing of with drawals and deposits.

The investment managemen firm bases its decisions on three-screen quantification pro cess that begins with a look a debt, cash flow and earnings mo mentum. Subsequent screen identify companies that are neg lected by the market and ones i which the corporate managemen has shown confidence in the oper ation through its purchase o stock.

For the five-year period, th PIPER median returned an an nualized 13.6% and the S&P 50 index, 15.3%.

Among PIPER participants Su Banks, Orlando, Fla., topped th list with a 24.2% return, followe by State Bank & Trust Co. wit 20%.

For the 10 years, the PIPER me dian returned 15.8% and the S& 500, an annualized 16.4%.

Sun Banks also topped the 10 year equity performers, with 23.1% return, followed by Manu facturer's Life Insurance Co. o Canada, Toronto, with a 22.7% re turn.

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'Junk' funds

Continued from page 35

pending on risk tolerance. It is for people we have identified as moderate to more aggressive in their risk tolerance," he said. The balance of a plan sponsor's assets would be invested in NCNB's other fixed-income funds, stocks or in cash. The fund has $13 million in assets.

During the fourth quarter, he said, the fund was invested heavily in government securities and government guaranteed issues.

"It's been a good place to be since (the 1987 stock market crash), given the flight to quality. We still think quality is not a bad place to be," said Mr. Blake.

HT Investors Inc., Providence, R.I., had two funds in the top 10% of all PIPER fixed-income funds: the $10.4 million Retirement Income Fund and the $13.9 million Retirement Income Fund A. The retirement income fund is heavily weighted with high-coupon "cushion bonds" with a maturity cap of Dec. 31, 1992, and zero-coupon bonds, said George Shippe, HT portfolio manager.

The fund shifted toward the high-coupon bonds, such as electric utility bonds, following the RJR Nabisco transaction.

Fund A has no maturity restric tions, he said, and is more aggres sive than the retirement incom fund. It contains substantia amounts of reverse principal ex change rate issues linked to th yen, in which buyers are pai back at maturity based on th dollar relationship to the yen.

The average maturity of th fund was 5.5 years in December.

Delaware Trust Co. finished th year in the top 10% of all fund with a return of 10.61%, thir overall for the three-year perio with 12.46% and second for th five-year period with 15.69%.

Dave Baldt, portfolio manage said the $21 million fund is ac tively managed, "approximate the duration and average matu rity of the Shearson Lehman Gov ernment/Corporate Bond Inde and is always fully invested."

He said the fund is invested "i those sectors we feel are under priced at any given point in time.

"We look at the entire taxabl bond universe. We have been usin bank and finance companies an utilities in the corporate area an direct government-backed mortgag certificates, and we are deathl afraid of industrial corporate bond because of the LBO threat. We hav had no industrial bonds for thre years because of the likelihood o their being leveraged."

PIPER

Top fixed funds by size

1-year returns

Over $100 million

	%
Trust Co./the West (High yield)	15.9
Pacific Mutual, Calif.	9.8
First Kentucky Trust	9.3
Morgan Guaranty, N.Y.	9.3
First Chicago (Dollar)	9.2
Sovran Bank (Inst.), Va.	9.1
Equitable Capital (5), N.Y.	9.0
Nat'l City Cleveland	8.9
Mercantile Bank, Mo.	8.9
Hawaiian Trust (Defensive)	8.8

$50 million to $100 million

	%
Life of Virginia	9.9
Fidelity Bank, Pa.	9.0
Bankers Trust (A), N.Y.	8.5
Core States, Pa.	8.2
Banc One Asset, Ohio	8.1
Bankers Trust (B), N.Y.	8.0
Sun Bank, Fla.	8.0
Nat'l Westminster Bank, N.J.	7.9
Comerica Bank, Mich.	7.7
Massachusetts Mutual	7.7

$10 million to $50 million

	%
Beverly Bank, Ill.	17.1
Wellington Trust (Emerg.)	15.1
HT Investors (A), R.I.	11.0
Delaware Trust	10.6
Trust Services/America, Calif.	10.6
Sanwa Bank (C), Calif.	10.1
Capital Trust, Ore.	10.1
NCNB Texas (Long)	9.4
Bishop Trust, Hawaii	9.3
SeaFirst Bank (Sea cap), Wash.	9.1

Under $10 million

	%
First Variable, Ark.	17.9
Wellington Trust (High yield)	15.1
General American (SA 9), Mo.	12.4
Second Nat'l Bank, Ohio	12.0
Sunburst Bank, Miss.	11.8
First of Kenosha (CT4002), Wis.	9.2
Exchange Nat'l Bank, Ill.	8.9
Nevada Nat'l Bank	8.9
Colonial American Nat'l, Va.	8.6
Connecticut Nat'l Bank	8.2

10-year returns

Over $100 million

	%
Sovran Bank (Inst.), Va.	13.1
Pacific Mutual, Calif.	12.6
American Security, D.C.	12.5
First Kentucky Trust	12.4
Texas Commerce (Active)	12.3
Morgan Guaranty, N.Y.	12.0
John Hancock, Mass.	11.5
Mercantile Bank, Mo.	11.5
First Wachovia, N.C.	11.4
CIGNA Corp. (Inter.), Conn.	11.2

$50 million to $100 million

	%
Life of Virginia	12.3
Fidelity Bank, Pa.	12.2
Nat'l Westminster Bank, N.J.	11.8
Bankers Trust (B), N.Y.	11.5
Bankers Trust (A), N.Y.	11.4
Manufacturers Detroit	11.4
Chancellor, N.Y.	11.0
Bank One Wisconsin (Inter.)	11.0
Massachusetts Mutual	11.0
First Fidelity (Inter.), N.J.	10.9

$10 million to $50 million

	%
United of Denver	13.6
Beverly Bank, Ill.	13.6
Seafirst Bank (Sea cap)	12.6
Sanwa Bank (C), Calif.	12.2
First Interstate of Arizona	11.9
Cullen Bank, Texas	11.7
First Wisconsin Asset	11.7
American Nat'l Bank, Tenn.	11.5
Boatmen's FNB Kansas City	11.4
Trust Services/America, Calif.	11.4

Under $10 million

	%
First Variable Life, Ark.	13.5
Connecticut Nat'l Bank	11.8
Hamilton Bank, Pa.	11.3
Second Nat'l Bank, Ohio	11.3
Colonial American Nat'l, Va.	11.3
Exchange Nat'l Bank, Ill.	10.8
Associated Manitowoc (High)	10.4
Greeley Nat'l, Colo.	10.3
Old Second Nat'l (HR 10), Ill.	10.3
First NH Investment (B)	10.2

Top quartile commingled fixed-income funds

3-month returns

	%
First Variable Life, Ark.	4.3
Nevada Nat'l Bank	3.3
First Union Bank (1), N.C.	3.0
HT Investors (A), R.I.	2.6
Trust Co. of the West (High yield)	2.6
HT Investors, R.I.	2.4
Beverly Bank, Ill.	2.4
Boatmen's Trust, Mo.	2.4
Prudential Fixed Inc. (Long)	2.3
Wellington Trust (High Yield)	2.2
Hawaiian Trust (Defensive)	2.2
Wellington Trust (Emerg.), Mass.	2.2
Chancellor (Bondshift), N.Y.	2.1
NCNB Texas (Long)	2.1
Bank of the West, Calif.	2.0
Imperial Trust, Calif.	2.0
Trustmark Nat'l, Miss.	1.9
American Nat'l Bank, Ind.	1.9
First Variable (HQ), Ark.	1.8
Bank of Delaware	1.8
Pacific Mutual, Calif.	1.7
Second Nat'l Bank, Ohio	1.7
Calcasieu Marine (E), La.	1.7
Mercantile Safe (Inter.), Md.	1.6
American Nat'l Bank, Tenn.	1.6
Morgan Guaranty, N.Y.	1.6
MTrust, Texas	1.6
United of Denver	1.6
American Nat'l Bank, Ind.	1.6
Texas Commerce (Low vol.)	1.6
Equitable Capital (5), N.Y.	1.5
Chase Manhattan (A), N.Y.	1.5
Trust Services of America, Calif.	1.5
General American (SA 9), Mo.	1.5
Central Fidelity (Short), Va.	1.5
Sunburst Bank, Miss.	1.5
Chase Manhattan (Long), N.Y.	1.5
Dauphin Deposit (Short), Pa.	1.5
Bishop Trust, Hawaii	1.4
CIGNA (Active), Conn.	1.4
Marine Midland, N.Y.	1.4
Lincoln Nat'l (Corp), Ind.	1.4
Chase Manhattan (Short-inter.)	1.4
Wilmington Trust, Del.	1.4
Jefferson Trust, Ill.	1.4
Chemical Bank (1), N.Y.	1.4
New York Life (SA 4)	1.4
Mercantile Safe, Md.	1.3
Michigan Nat'l	1.3
First Union Bank, N.C.	1.3
First of Kenosha (CT4002), Wis.	1.3
Bankers Trust (B), N.Y.	1.3
First Wisconsin Asset	1.3
Shawmut Bank (Inter.), Mass.	1.3
Assoc. Bank Neenah (Long), Wis.	1.3
Prudential Fixed Inc. (Privest)	1.2
Cullen Bank, Texas	1.2
First Alabama Bank	1.2
Norwest Bank, Minn.	1.2
Banc One Asset (Invt.), Ohio	1.2
Security Nat'l Bank (II), W.Va.	1.2
Society Nat'l, Ohio	1.2
First Interstate of Oklahoma	1.2
AmSouth, Ala.	1.2
Sanwa Bank (C), Calif.	1.2
Mutual of New York (Public)	1.2
Equibank, Pa.	1.2
Nat'l Bank of Commerce, Neb.	1.2
First Chicago (Dollar)	1.2
SeaFirst Bank (Sea cap), Wash.	1.2
Bank One, Indianapolis	1.2
Ameritrust (Reserve), Ohio	1.2
Wellington Trust (Int.), Mass.	1.2
Bank of New York	1.2
Shawmut Bank, Mass.	1.2
Shearson Lehman G/C Index	1.0

1-year returns

	%
First Variable Life, Ark.	17.9
Beverly Bank, Ill.	17.1
Trust Co. of the West (High yield)	15.9
Wellington Trust (High yield)	15.1
Wellington Trust (Emerg.), Mass.	15.1
General American (SA 9), Mo.	12.4
Second Nat'l Bank, Ohio	12.0
Sunburst Bank, Miss.	11.8
HT Investors (A), R.I.	11.0
Boatmen's Trust, Mo.	10.8
Delaware Trust	10.6
Trust Services of America, Calif.	10.6
Marine Midland, N.Y.	10.2
Sanwa Bank (C), Calif.	10.1
Capital Trust, Ore.	10.1
Prudential Fixed Inc. (Long)	10.0
Life of Virginia	9.9
Pacific Mutual, Calif.	9.8
NCNB Texas (Long)	9.4
Bishop Trust, Hawaii	9.3
First Kentucky Trust	9.3
Morgan Guaranty, N.Y.	9.3
First Chicago (Dollar)	9.2
First of Kenosha (CT4002)	9.2
IAA Trust (B), Ill.	9.2
Sovran Bank (Inst.), Va.	9.1
Chase Manhattan (Long), N.Y.	9.1
Nat'l Bank of Detroit	9.1
SeaFirst Bank (Sea cap), Wash.	9.1
Fidelity Bank, Pa.	9.0
Equitable Capital (5), N.Y.	9.0
The Phoenix, Conn.	9.0
Chemical Bank (1), N.Y.	9.0
Nat'l City Cleveland	8.9
Prudential Fixed Inc. (Privest)	8.9
First Chicago	8.9
Mercantile Bank, Mo.	8.9
Exchange Nat'l Bank, Ill.	8.9
Nevada Nat'l Bank	8.9
Cullen Bank, Texas	8.8
Hawaiian Trust (Defensive)	8.8
CIGNA Corp. (Active), Conn.	8.8
First Bank Milwaukee	8.8
Chase Investors (Index), N.Y.	8.7
Mutual of New York (Public)	8.7
Metropolitan Life (SA 41), N.Y.	8.7
Jefferson Trust, Ill.	8.7
CIGNA (Inter.), Conn.	8.7
First Wisconsin Asset	8.7
Trustcorp Bank, Ohio	8.6
New York Life (SA 4)	8.6
Trustmark Nat'l, Miss.	8.6
Colonial American Nat'l, Va.	8.6
First Wachovia, N.C.	8.6
First Nat'l Mercantile (B), Mo.	8.6
Lincoln Nat'l (Corp.), Ind.	8.6
Chancellor (Bondshift), N.Y.	8.5
Bank of Tokyo (Inter.), N.Y.	8.5
Summit Trust, N.J.	8.5
Frost Nat'l, Texas	8.5
State Street Bank, Mass.	8.5
Bank of New England, Mass.	8.5
Bankers Trust (A), N.Y.	8.5
Shearson Lehman G/C Index	7.8

3-year returns

	%
Trust Co. of the West (High yield)	14.2
First Variable Life, Ark.	12.8
Delaware Trust	12.5
Equitable Capital (5), N.Y.	12.2
Beverly Bank, Ill.	11.6
Wellington Trust (Emerg.), Mass.	11.5
United of Denver	11.1
General American (SA 9), Mo.	10.5
Sanwa Bank (C), Calif.	10.4
Pacific Mutual, Calif.	10.3
IAA Trust (B), Ill.	10.2
Sunburst Bank, Miss.	9.9
Morgan Guaranty, N.Y.	9.8
Sovran Bank (Inst.), Va.	9.8
Boatmen's Trust, Mo.	9.8
First Kentucky Trust	9.8
Trust Services of America, Calif.	9.8
First Chicago	9.7
Colonial American Nat'l, Va.	9.7
Chase Manhattan (Long), N.Y.	9.7
Fidelity Bank, Pa.	9.6
Mid-State Bancorp, Pa.	9.6
John Hancock, Mass.	9.6
Prudential Fixed Inc. (Long)	9.5
First Interstate of Arizona	9.5
Mercantile Safe, Md.	9.5
Trustmark Nat'l, Miss.	9.5
Chase Manhattan (A), N.Y.	9.4
Marine Midland, N.Y.	9.4
Harris Trust, Ill.	9.4
American Security, D.C.	9.4
Connecticut Nat'l	9.4
Crown Life (U.S.), Ontario	9.3
Core States, Pa.	9.3
Prudential Fixed Inc. (Privest)	9.2
First Nat'l Mercantile (B), Mo.	9.2
Columbus Bank, Ga.	9.2
Society Nat'l, Ohio	9.2
Hawaiian Trust (Defensive)	9.1

Continued on page 38

—**Jacques Bouhet,**
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Fixed-income performance

Cumulative periods ended 12/31/88

	No. of years			
	1	5	10	DCR
		%		
Aetna Life & Casualty	8.2	12.3	(1)	—
American Nat'l, Minn.	6.6	11.6	11.0	4
American Nat'l Bank, Ind.	7.5	9.0	10.2	7
American Nat'l Bank (Income), Ind.	7.2	8.1	8.9	10
American Nat'l Bank, Tenn.	8.3	11.7	11.5	2
American Security, D.C.	8.0	13.3	12.5	1
Ameritrust, Ohio	7.6	11.1	9.9	8
Ameritrust (Reserve), Ohio	6.5	9.8	11.2	3
AmSouth, Ala.	7.0	12.3	9.6	9
AmSouth (Ltd. mat.), Ala.	6.8	9.6	(1)	—
Assoc. Bank Neenah (Long term),Wis.	7.4	11.0	11.0	4
Associated Kellogg, Wis.	6.7	10.4	9.9	8
Associated Manitowoc (High inc.), Wis.	7.0	11.2	10.4	6
Banc One Asset Mgmt. (Invt.), Ohio	8.1	10.5	9.3	10
Bank of America, Calif.	6.9	11.7	9.5	9
Bank of Delaware	7.8	10.1	9.6	9
Bank of New England, Mass.	8.5	11.8	11.7	2
Bank of New York	6.5	10.6	10.2	7
Bank of the West, Calif.	6.9	(1)	(1)	—
Bank of Tokyo (Inter.), N.Y.	8.5	11.3	(1)	—
Bank One Wisconsin Trust (Inter.)	6.7	10.0	11.0	4
Bank One Wisconsin Trust	7.3	11.1	10.4	6
Bank One Indianapolis	8.0	11.5	9.7	9
Bankers Trust (A), N.Y.	8.5	12.6	11.4	2
Bankers Trust (B), N.Y.	8.0	11.3	11.5	2
Barnett Bank (Emp.), Fla.	7.2	(1)	(1)	—
Bessemer Trust, N.Y.	7.3	12.1	10.9	4
Beverly Bank, Ill.	17.1	14.9	13.6	1
Bishop Trust, Hawaii	9.3	11.3	10.2	7
Boatmen's FNB Kansas City, Mo.	7.5	11.0	11.4	2
Boatmen's Nat'l, Mo.	4.8	10.9	11.2	3
Boatmen's Trust, Mo.	10.8	15.0	13.0	1
Calcasieu Marine Nat'l Bank (E), La.	7.8	(1)	(1)	—
California First Bank	6.2	11.8	10.4	6
Capital Trust, Ore.	10.1	(1)	(1)	—
Central Bank Monroe, La.	6.7	(1)	(1)	—
Central Fidelity, Va.	7.1	12.7	11.7	2
Central Fidelity (Short term), Va.	6.4	(1)	(1)	—
Chancellor Capital, N.Y.	6.8	12.5	11.0	4
Chancellor Capital (Bondshift), N.Y.	8.5	(1)	(1)	—
Chase Investors (CMB index), N.Y.	8.7	(1)	(1)	—
Chase Manhattan (A), N.Y.	7.5	11.7	10.1	8
Chase Manhattan (Inter.), N.Y.	6.8	(1)	(1)	—
Chase Manhattan (Long), N.Y.	9.1	(1)	(1)	—
Chase Manhattan (Sec. mtg.), N.Y.	7.9	(1)	(1)	—
Chase Manhattan (Short-inter.), N.Y.	7.6	(1)	(1)	—
Chemical Bank (1), N.Y.	9.0	12.5	10.0	8
Chemical Bank (2), N.Y.	6.8	(1)	(1)	—
Chicago Title & Trust	7.7	11.7	10.2	7
CIGNA Corp. (Active), Conn.	8.8	12.5	11.1	4
CIGNA Corp. (Inter. term), Conn.	8.7	12.1	11.2	3
Citizens Comm'l & Svgs. (Inter), Mich.	7.3	11.8	10.4	6
Citizens Fidelity (F), Ky.	6.9	11.0	10.5	6
Citizens & Southern, Ga.	7.5	11.5	8.9	10
Citytrust (E3), Conn.	7.8	11.5	10.3	6
Colonial American Nat'l, Va.	8.6	13.2	11.3	3
Colorado Nat'l Bank	8.0	13.1	10.8	5
Columbus Bank & Trust, Ga.	7.0	12.3	(1)	—
Comerica Bank, Mich.	7.7	12.2	10.4	6
Comerica Bank (Inter.), Mich.	6.3	10.6	(1)	—
Commerce Bank-Kansas City, Mo.	6.3	10.4	9.1	10
Commerce Capital Mgmt., Ark.	6.0	3.6	(1)	—
Confederation Life (American), Ontario	7.1	12.0	10.0	8
Connecticut Bank & Trust	7.2	11.4	8.8	10
Connecticut Nat'l Bank	8.2	13.8	11.8	2
Connecticut Nat'l Bank (Inter.)	8.3	12.5	(1)	—
Continental Illinois	7.4	12.6	9.1	10
Continental Illinois (Inter.)	6.4	11.2	9.7	9
Core States Investment, Pa.	8.2	12.3	10.7	5
Crown Life (U.S. grp.), Ontario	7.5	(1)	(1)	—
Cullen Bank, Texas	8.8	11.1	11.7	2
C&S Trust Florida	6.0	11.0	10.9	5
Dauphin Deposit (Corp.), Pa.	6.6	11.6	10.8	5
Dauphin Deposit (Short term), Pa.	6.9	(1)	(1)	—
Delaware Trust	10.6	15.7	(1)	—
Equibank, Pa.	7.9	9.8	9.0	10
Equitable Bank, Md.	7.6	10.8	9.0	10
Equitable Capital (No. 5), N.Y.	9.0	15.3	10.5	5
Exchange Nat'l Bank, Ill.	8.9	12.6	10.8	5
Fidelity Bank, Pa.	9.0	12.5	12.2	1
First Alabama Bank	6.1	12.7	10.4	6
First Bank Milwaukee	8.8	11.6	11.3	3
First Chicago Investment	8.9	13.3	11.3	3
First Chicago Investment (Dollar)	9.2	12.6	(1)	—
First City Nat'l Houston	7.0	12.5	10.0	8
First City Nat'l Houston (Int. C-1)	6.5	11.2	(1)	—
First Fidelity Bank, N.J.	7.0	10.4	9.5	9
First Fidelity Bank (Inter.), N.J.	6.7	10.2	10.9	5
First in Bartlesville, Okla.	6.7	9.8	10.1	8
First Interstate of Arizona	8.2	13.5	11.9	1
First Interstate of Oklahoma	6.8	10.5	7.9	10
First Interstate of Oregon	7.6	11.3	10.3	7
First Kentucky Trust	9.3	13.3	12.4	1
First Nat'l Mercantile (B), Mo.	8.6	12.8	(1)	—
First Nat'l of Commerce, La.	6.8	10.6	10.6	5
First Nat'l of Tulsa, Okla.	7.4	9.6	9.3	9
First NH Investment (B)	7.2	9.8	10.2	7
First of America, Mich.	7.6	9.3	9.2	10
First of Kenosha (CT4002), Wis.	9.2	8.6	6.7	10
First of Maryland	7.3	11.5	11.3	3
First of Omaha (C), Neb.	7.3	12.4	10.9	5
First of Toledo, Ohio	7.9	9.8	10.5	6
First Security Nat'l (F), Ky.	7.8	10.0	(1)	—
First Trust Corp., Colo.	8.2	11.9	10.1	8
First Union Bank, N.C.	7.4	11.2	10.4	6
First Union Bank (1), N.C.	6.8	12.2	(1)	—
First Variable Life, Ark.	17.9	14.5	13.5	1
First Variable Life (H.Q.), Ark.	7.7	13.1	(1)	—
First Wachovia, N.C.	8.6	12.6	11.4	2
First Wisconsin Asset Mgmt.	8.7	12.4	11.7	2
Frost Nat'l, Texas	8.5	11.2	9.9	8
Gary Wheaton, Ill.	7.5	10.5	10.6	5
General American (SA 8), Mo.	7.7	12.2	(1)	—
General American (SA 9), Mo.	12.4	13.5	(1)	—
Greeley Nat'l Colo.	6.1	10.8	10.3	7
Hamilton Bank, Pa.	7.2	12.0	11.3	3
Harris Trust, Ill.	8.3	13.0	9.7	9
Harris Trust (Gain), Ill.	7.3	(1)	(1)	—
Hawaiian Trust	7.6	11.5	9.9	9
Hawaiian Trust (Defensive)	8.8	9.8	(1)	—
Home Life, N.Y.	7.7	10.5	(1)	—
Horizon Trust, N.J.	7.4	10.9	(1)	—
HT Investors, R.I.	7.0	11.9	10.0	8
HT Investors (A), R.I.	11.0	10.8	(1)	—
IAA Trust (B), Ill.	9.2	14.4	11.5	2
IAA Trust (Govt. sec.), Ill.	7.0	(1)	(1)	—
Imperial Trust, Calif.	7.2	(1)	(1)	—
Indiana Nat'l Bank	7.0	11.6	11.0	4
Irving Trust, N.Y.	6.7	10.6	10.2	7
Jefferson Trust, Ill.	8.7	10.3	11.4	3
John Hancock, Mass.	8.3	13.5	11.5	2
Key Trust of the Northwest, Wash.	6.6	9.0	9.6	9
Key Trust Co., N.Y.	7.9	12.3	11.4	2
Liberty Nat'l, Ky.	7.5	12.3	10.5	5
Liberty Nat'l, Okla.	7.0	10.7	9.3	10
Life of Virginia	9.9	13.8	12.3	1
Lincoln Nat'l Investment, Ind.	8.6	12.2	(1)	—
Manufacturers Detroit	6.7	12.0	11.4	3
Manufacturers Detroit (Inter.)	6.6	10.3	(1)	—
Manufacturers Life (B), Ontario	5.6	12.6	(1)	—
Marine Midland, N.Y.	10.2	12.5	10.6	5
Massachusetts Mutual	7.7	12.0	11.0	4
Mercantile Bank, Mo.	8.9	11.3	11.5	2
Mercantile Nat'l, Ind.	5.9	9.4	(1)	—
Mercantile Safe, Md.	7.6	11.8	11.0	4
Mercantile Safe (Inter.), Md.	7.1	10.9	(1)	—
Merchants Nat'l, Ind.	7.7	10.6	10.5	8
Merchants Nat'l, Pa.	6.3	11.5	11.0	4
Meridian Trust, Pa.	7.4	10.6	(1)	—
Metropolitan Life (SA 41), N.Y.	8.7	12.9	(1)	—
Michigan Nat'l	7.4	11.2	9.9	8
Mid-State Bancorp, Pa.	7.9	11.4	11.3	3
Minnesota Mutual (SA E)	7.3	10.7	10.2	8
Morgan Guaranty, N.Y.	9.3	13.3	12.0	1
MTrust, Texas	7.0	12.0	9.2	10
Mutual of New York (Public)	8.7	12.1	10.7	5
Nat'l Bank of Detroit	9.1	12.2	10.6	5
Nat'l Bank of Commerce, Neb.	7.5	12.9	10.4	6
Nat'l City Cleveland	8.9	11.0	9.7	9
Nat'l Westminster Bank, N.J.	7.9	11.8	11.8	2
NBD Trust, Ill.	7.7	10.1	10.0	8
NCNB Nat'l Bank, N.C.	8.1	11.2	10.9	4
NCNB Texas Asset (Int.)	7.3	10.9	(1)	—
NCNB Texas Asset (Long term)	9.4	12.8	10.0	8
NCNB Texas Asset (Low vol.)	7.1	10.5	(1)	—
Nevada Nat'l Bank	8.9	(1)	(1)	—
New York Life (SA 4)	8.6	11.4	(1)	—
Norwest Bank, Minn.	8.3	11.3	9.9	8
Old Second Nat'l, Ill.	7.0	10.9	10.2	7
Old Second Nat'l (HR 10), Ill.	6.7	10.3	10.3	7
Oregon Bank	6.9	11.3	11.1	4
Pacific Mutual, Calif.	9.8	13.7	12.6	1
The Phoenix, Conn.	9.0	12.0	(1)	—
Pioneer Bank, Ill.	6.1	9.5	(1)	—
Provident Capital, Pa.	7.9	11.8	10.5	6
Prudential (VCA 8), N.J.	6.8	10.6	(1)	—
Prudential Fixed Income (Broad mkt.)	8.3	(1)	(1)	—
Prudential Fixed Income (Long term)	10.0	(1)	(1)	—
Prudential Fixed Income (PRIVEST)	8.9	13.3	11.0	4
Puget Sound Nat'l, Wash.	7.2	8.1	9.6	9
PW Trust Co., N.J.	5.1	(1)	(1)	—
Riggs of Washington	7.5	10.5	11.2	3
Sanwa Bank (Invt. C), Calif.	10.1	13.4	12.2	1
SeaFirst Bank, Wash.	9.1	12.6	12.6	1
Second Nat'l Bank (Emp.), Ohio	12.0	12.4	11.3	3
Security Nat'l Bank, W.Va.	7.7	9.2	(1)	—
Security Nat'l Bank (II), W. Va.	7.5	(1)	(1)	—
Security Pacific, Calif.	7.3	(1)	(1)	—
Sentry Equity Services (SA D), Wis.	7.7	(1)	(1)	—
Shawmut Bank, Mass.	7.9	12.4	(1)	—
Shawmut Bank (Inter.), Mass.	7.1	10.0	(1)	—
SLH Trust Co. (Directions 5), Del.	6.4	9.0	(1)	—
SLH Trust Co. (G/C income 1), Del.	6.3	(1)	(1)	—
SLH Trust Co. (Inter. govt. 2), Del.	5.1	(1)	(1)	—
SLH Trust Co. (Value 3), Del.	7.4	(1)	(1)	—
Society Nat'l, Ohio	8.0	13.1	11.4	3
South Carolina Nat'l (Inter. F)	6.6	(1)	(1)	—
Southeast Bank, Fla.	6.7	10.9	10.2	7
Southtrust Bank, Ala.	7.3	11.0	10.3	7
Sovran Bank (Inst.), Va.	9.1	13.2	13.1	1
State Bank & Trust (D), Ohio	5.4	11.7	(1)	—
State Street Bank, Mass.	8.5	11.7	10.7	5
Summit Bank, Ind.	7.5	9.0	8.5	10
Summit Trust Co., N.J.	8.5	11.2	10.9	4
Sun Bank, Fla.	8.0	12.0	10.3	7
Sunburst Bank, Miss.	11.8	14.7	9.7	9
Texas American	7.1	10.5	10.4	6
Texas Commerce (Active)	6.8	11.3	12.3	1
Texas Commerce (Low vol.)	7.4	11.1	(1)	—
Third Nat'l Nashville, Tenn.	7.2	9.8	9.5	9
Trust Co. of the West (High yield)	15.9	(1)	(1)	—
Trust Services of America, Calif.	10.6	14.2	11.4	2
Trustcorp Bank, Ohio	8.6	11.8	11.4	3
Trustmark Nat'l., Miss.	6.6	11.5	11.0	4
Union Central, Ohio	7.3	10.5	9.4	9
United Missouri, Kansas City	5.9	9.9	10.2	7
United of Denver	7.8	16.5	13.6	1
U.S. Nat'l of Oregon (Qualivest)	7.0	11.4	9.5	9
Valley Fidelity, Tenn.	7.3	10.6	10.5	6
Valley Nat'l (II), Ariz.	7.0	11.4	10.3	6
Wellington Trust (Emerg.), Mass.	15.1	12.6	(1)	—
Wellington Trust (G/C), Mass.	7.7	12.1	(1)	—
Wellington Trust (Int.), Mass.	7.7	(1)	(1)	—
Wellington Trust (High yield), Mass.	15.1	(1)	(1)	—
Wells Fargo (Index), Calif.	7.6	(1)	(1)	—
Wheeling Dollar Bank, W.Va.	6.9	11.0	10.2	7
Wilmington Trust, Del.	5.9	11.5	8.7	10
Shearson Lehman G/C Index	**7.6**	**12.2**	**11.0**	**7**

First Wachovia, N.C.	9.1
Metropolitan Life (SA 41), N.Y.	9.0
Bankers Trust (A), N.Y.	9.0
SeaFirst Bank (Sea cap), Wash.	9.0
Shawmut Bank, Mass.	8.9
HT Investors, R.I.	8.9
Colorado Nat'l Bank	8.9
First Alabama Bank	8.9
Summit Trust, N.J.	8.9
HT Investors (A), R.I.	8.9
Nat'l Bank of Commerce, Neb.	8.8
Central Fidelity, Va.	8.8
Connecticut Nat'l Bank (Inter.)	8.8
CIGNA Corp. (Active), Conn.	8.8
Bankers Trust (B)), N.Y.	8.7
First Wisconsin Asset	8.7
Shearson Lehman G/C Index	**8.4**

5-year returns

	%
United of Denver	16.5
Delaware Trust	15.7
Equitable Capital (5), N.Y.	15.3
Boatmen's Trust, Mo.	15.0
Beverly Bank, Ill.	14.9
Sunburst Bank, Miss.	14.7
First Variable Life, Ark.	14.5
IAA Trust (B), Ill.	14.4
Trust Services of America, Calif.	14.2
Life of Virginia	13.8
Connecticut Nat'l Bank	13.8
Pacific Mutual, Calif.	13.7
General American (SA 9), Mo.	13.5
First Interstate of Arizona	13.5
John Hancock, Mass.	13.5
Sanwa Bank (C), Calif.	13.4
American Security, D.C.	13.3
First Kentucky Trust	13.3
First Chicago	13.3
Prudential Fixed Inc.(Privest),	13.3
Morgan Guaranty, N.Y.	13.3
Sovran Bank (Inst.), Va.	13.2
Colonial American Nat'l, Va.	13.2
Colorado Nat'l Bank	13.1
Society Nat'l, Ohio	13.1
First Variable Life (HQ), Ark.	13.1
Harris Trust, Ill.	13.0
Nat'l Bank of Commerce, Neb.	12.9
Metropolitan Life (SA 41), N.Y.	12.9
First Nat'l Mercantile (B), Mo.	12.8
NCNB Texas (Long)	12.8
Central Fidelity, Va.	12.7
First Alabama Bank	12.7
Manufacturers Life (B), Ontario	12.6
Continental Illinois	12.6
First Chicago (Dollar)	12.6
Wellington Trust (Emerg.), Mass.	12.6
SeaFirst Bank (Sea cap), Wash.	12.6
Exchange Nat'l Bank, Ill.	12.6
First Wachovia, N.C.	12.6

Continued on page 39

PIPER

Top equity funds by size

1-year returns

Over $100 million

	%
Markston Invest. Mgmt.	28.5
Meridian Trust, Pa.	24.7
Fidelity Mgmt. (Inc.), Mass.	23.3
Prudential (PRIFORM low p/e)	23.2
First Chicago	23.0
U.S. Nat'l/Oregon (Qualivest)	22.2
Harris Trust, Ill.	21.2
Ameritrust (Divers.), Ohio	20.1
Provident Capital, Pa.	19.9
Manufacturers Life, Ontario	18.8

$50 million to $100 million

	%
MTrust (Value), Texas	27.1
NCNB Texas (Divers.)	25.9
American Security, D.C.	22.6
Sovran Bank (Inst.), Va.	21.5
Chase Manhattan (Spectrum)	19.8
Chicago Title & Trust	19.6
AmSouth, Ala.	18.6
Trust Services/America, Calif.	17.5
Chancellor (Stockshift 100)	17.0
Chancellor (Multifact), N.Y.	16.8

$10 million to $50 million

	%
U.S. Nat'l of Galveston, Texas	30.5
United of Denver	29.3
American Nat'l, Minn.	27.5
SLH Trust (Contrarian 6), Del.	27.2
Home Life, N.Y.	26.6
Harris Trust (Low p/e), Ill.	26.5
Firstier Bank	25.2
Wilmington Trust (Growth)	24.4
Jefferson Trust (Growth), Ill.	24.2
Bank One Wisconsin (Disc.)	23.7

Under $10 million

	%
Gary Wheaton (Hedged), Ill.	27.0
Mercantile Nat'l, Ill.	24.5
State Bank (C), Ohio	24.4
Resource Bank, Minn.	23.4
Bank One, Indianapolis (L)	23.2
First Interstate Billings, Mont.	22.1
First Interstate of Oregon	22.0
Second Nat'l Bank, Ohio	21.8
Wellington Trust (Divers.)	20.4
Colonial American (C), Va.	20.3

10-year returns

Over $100 million

	%
Sun Bank, Fla.	23.1
Manufacturers Life, Ontario	22.7
First Union, N.C.	20.5
U.S. Nat'l/Oregon (Qualivest)	19.9
Provident Capital, Pa.	19.2
Bessemer Trust, N.Y.	18.9
MTrust (Growth), Texas	18.6
Equitable Capital (4), N.Y.	18.6
Massachusetts Mutual	18.0
American Nat'l Chicago (Act.)	17.8

$50 million to $100 million

	%
MTrust (Value), Texas	18.2
NCNB Texas (Divers.)	18.2
Sovran Bank (Inst.), Va.	17.4
Texas Commerce (Divers.)	17.0
The Phoenix, Conn.	16.9
Mercantile Safe, Md.	16.8
AmSouth, Ala.	16.7
Chase Manhattan (Spectrum)	16.4
Trust Services/America, Calif.	15.8
First Wisconsin Asset (A)	15.8

$10 million to $50 million

	%
United of Denver	20.4
Guardian Insurance (VA 1)	20.0
First Fidelity (Disc.), N.J.	19.8
First Interstate of Oklahoma	19.6
U.S. Nat'l of Galveston, Texas	19.3
Confederation Life, Ga.	19.0
First Trust, Colo.	18.6
Home Life, N.Y.	18.2
First of Omaha (D), Neb.	18.2
C&S Trust Florida	17.8

Under $10 million

	%
First N.H. Investment (A)	19.3
First Interstate of Oregon	17.9
Wheeling Dollar Bank, W. Va.	17.3
Merchants Nat'l (2), Ind.	16.0
Associated Manitowoc, Wis.	15.4
Second Nat'l, Ohio	15.2
Puget Sound, Wash.	15.1
First Nat'l of Commerce, La.	15.0
First in Bartlesville, Okla.	14.9
Central Fidelity, Va.	14.7

Bankers Trust (A), N.Y.	12.6
Marine Midland, N.Y.	12.5
Connecticut Nat'l Bank (Inter.)	12.5
Chemical Bank (1), N.Y.	12.5
Fidelity Bank, Pa.	12.5
CIGNA Corp.(Active), Conn.	12.5
Chancellor Captial, N.Y.	12.5
First City Nat'l Houston	12.5
First of Omaha (C), Neb.	12.4
First Wisconsin Asset	12.4
Second Nat'l Bank, Ohio	12.4
Shawmut Bank, Mass.	12.4
Shearson Lehman G/C Index	**12.2**

	%
United of Denver	13.6
Beverly Bank, Ill.	13.6
First Variable Life, Ark.	13.5
Sovran Bank (Inst.), Va.	13.1
Boatmen's Trust, Mo.	13.0
SeaFirst Bank (Sea cap), Wash.	12.6
Pacific Mutual, Calif.	12.6
American Security, D.C.	12.5
First Kentucky Trust	12.4
Life of Virginia	12.3
Texas Commerce (Active)	12.3
Sanwa Bank (C), Calif.	12.2

Fidelity Bank, Pa.	12.2
Morgan Guaranty, N.Y.	12.0
First Interstate of Arizona	11.9
Nat'l Westminster Bank, N.J.	11.8
Connecticut Nat'l Bank	11.8
Cullen Bank, Texas	11.7
Central Fidelity, Va.	11.7
First Wisconsin Asset	11.7
Bank of New England	11.7
IAA Trust (B), Ill.	11.5
John Hancock, Mass.	11.5
Mercantile Bank, Mo.	11.5
American Nat'l Bank, Tenn.	11.5
Bankers Trust (B), N.Y.	11.5
Boatmen's FNB Kansas City, Mo.	11.4
Trust Services of America, Calif.	11.4
Bankers Trust (A), N.Y.	11.4
Key Trust, N.Y.	11.4
First Wachovia, N.C.	11.4
Manufacturers Detroit	11.4
Trustcorp Bank, Ohio	11.4
Jefferson Trust, Ill.	11.4
Society Nat'l, Ohio	11.4
Mid-State Bancorp, Pa.	11.3
Hamilton Bank, Pa.	11.3
First Chicago	11.3
First of Maryland	11.3

Second Nat'l Bank, Ohio	11.3
Colonial American Nat'l, Va.	11.3
First Bank Milwaukee	11.3
Shearson Lehman G/C Index	**11.0**

Top quartile commingled equity funds

3-month returns

	%
First Nat'l Mercantile (G&I-A), Mo.	7.3
Bank One Wisconsin (Growth)	7.1
NCNB Nat'l, N.C.	6.7
United of Denver	6.1
Summit Bank, Ind.	5.9
Equitable Capital (1), N.Y.	5.9
First Fidelity, N.J.	5.8
Gary Wheaton Bank (Hedged), Ill.	5.5
Colonial American Nat'l (C), Va.	5.4
Calcasieu Marine (E), La.	5.4
Bank One Wisconsin (Income)	5.3
Valley Nat'l (I), Ariz.	5.2
Bessemer Trust, N.Y.	5.1
State Street Bank, Mass.	5.1
Gary Wheaton Bank, Ill.	5.0

SLH Trust (Contrarian 6), Del.	5.0
Dominion Trust (Corp.), Va.	4.9
Mid-State Bancorp, Pa.	4.8
NBD Trust, Ill.	4.7
State Street (Value I), Mass.	4.6
Planters Nat'l (B), N.C.	4.6
Associated Manitowoc, Wis.	4.6
C&S Trust Florida	4.6
Jefferson Trust (Growth), Ill.	4.6
Comerica Bank, Mich.	4.6
Bishop Trust Co., Hawaii	4.6
Associated Bank Neenah, Wis.	4.4
Mercantile Bank, Mo.	4.4
First of Kenosha (CT4001), Wis.	4.3
American Security, D.C.	4.3
Manufacturers Life (E), Ontario	4.3
Second Nat'l, Ohio	4.2
Continental Illinois	4.2
CNA Insurance (SA A), Ill.	4.2
Columbus Bank, Ga.	4.1
Irving Trust, N.Y.	4.0
Sovran Bank (Inst.), Va.	4.0
Confederation Life, Ga.	4.0
Chancellor (Styleshift), N.Y.	4.0
Capital Trust (II), Ore.	3.9
U.S. Nat'l of Oregon (Qualivest)	3.9

Continued on page 42

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PIPER

Equity performance

Cumulative periods ended 12/31/88

	No. of years			
	1	5	10	DCR
		%		
Aetna Life & Casualty, Conn.	12.0	12.7	16.5	4
American Nat'l, Minn.	27.5	13.9	12.7	10
American Nat'l Bank, Ind.	4.3	9.9	12.2	10
American Nat'l Bank (Growth), Ind.	4.7	11.4	13.3	9
American Nat'l Bank, Tenn.	1.2	12.5	14.4	8
American Nat'l Chicago (Active)	16.8	14.7	17.8	2
American Security, D.C.	22.6	10.4	14.9	7
American Security (High yield), D.C.	29.5	(1)	(1)	—
Ameritrust (Divers.), Ohio	20.1	15.2	15.9	5
AmSouth, Ala.	18.6	9.7	16.7	3
Associated Bank Neenah, Wis.	19.5	17.4	16.7	3
Associated Kellogg, Wis.	11.7	13.9	13.6	9
Associated Manitowoc, Wis.	14.3	15.8	15.4	6
Banc One Asset Mgmt. (Corp.), Ohio	21.7	12.0	14.5	8
Bank of America (Index), Calif.	16.5	(1)	(1)	—
Bank of Delaware (VIP)	9.3	11.9	15.2	6
Bank of New England (Valuepath)	18.8	16.0	(1)	—
Bank of New York	7.0	13.8	13.9	8
Bank of the West, Calif.	-20.9	5.7	(1)	—
Bank of Tokyo, N.Y.	3.3	12.3	16.4	4
Bank One Wisconsin Trust (Disc.)	23.7	16.1	(1)	—
Bank One Wisconsin Trust (Growth)	18.8	10.0	14.6	8
Bank One Wisconsin Trust (Income)	18.1	15.0	16.3	4
Bank One, Indianapolis (C)	23.2	(1)	(1)	—
Bank One, Indianapolis (G)	23.1	14.6	15.0	7
Bankers Trust, N.Y.	10.0	12.2	14.9	7
Bankers Trust (Index), N.Y.	16.8	15.4	16.6	4
Barnett Banks Trust, Fla.	13.6	16.0	15.1	6
Bessemer Trust, N.Y.	15.0	12.5	18.9	1
Beverly Bank, Ill.	4.3	10.4	13.5	9
Bishop Trust, Hawaii	13.9	8.1	11.7	10
Boatmen's FNB Kansas City, Mo.	10.1	10.1	13.2	9
Boatmen's Nat'l, Mo.	7.3	9.0	12.4	10
Boatmen's Trust, Mo.	35.8	14.7	16.6	4
Calcasieu Marine Nat'l (E), La.	11.8	(1)	(1)	—
California First Bank	8.5	12.3	16.2	5
Capital Trust (I), Ore.	17.5	14.6	(1)	—
Capital Trust (II), Ore.	10.6	(1)	(1)	—
Central Bank Monroe, La.	11.9	(1)	(1)	—
Central Fidelity, Va.	11.4	13.6	14.7	7
Chancellor Capital , N.Y.	11.8	12.9	16.1	5
Chancellor Capital (Indexplus), N.Y.	11.6	15.5	15.8	5
Chancellor Capital (Multifact), N.Y.	16.6	15.6	(1)	—
Chancellor Capital (Stockshift 100)	17.0	(1)	(1)	—
Chancellor Capital (Stockshift 200)	22.1	(1)	(1)	—
Chancellor Capital (Stylshift), N.Y.	9.5	(1)	(1)	—
Chase Investors (Futures index), N.Y.	18.3	(1)	(1)	—
Chase Investors (Index), N.Y.	16.2	15.3	16.3	4
Chase Manhattan (Spectrum), N.Y.	19.8	12.6	16.4	4
Chemical Bank (2), N.Y.	15.9	(1)	(1)	—
Chicago Title & Trust	19.6	13.1	15.8	6
CIGNA Corp., Conn.	11.2	11.7	15.6	6
Citizens Chillicothe (B), Mo.	8.2	10.3	17.3	3
Citizens Comm'l (Growth), Mich.	11.4	(1)	(1)	—
Citizens Comm'l (Value), Mich.	18.5	(1)	(1)	—
Citizens Fidelity (E), Ky.	12.9	15.5	16.6	4
Citizens Heritage (Ciran), Ohio	6.7	(1)	(1)	—
Citizens & Southern, Ga.	15.4	13.4	13.2	9
Citytrust (E1), Conn.	19.7	15.6	17.5	2
CNA Insurance (SA A), Ill.	11.8	12.6	12.6	10
Colonial American Nat'l (C), Va.	20.3	(1)	(1)	—
Colorado Nat'l Bank	16.5	15.4	17.5	2
Columbus Bank & Trust, Ga.	14.1	12.1	(1)	—
Comerica Bank, Mich.	12.9	13.1	13.7	9
Commerce Bank St. Louis	15.5	13.5	14.8	7
Commerce Capital Mgmt., Ark.	9.3	10.3	(1)	—
Commerce Capital Mgmt. (Spec.), Ark.	8.2	6.5	(1)	—
Confederation Life, Ga.	22.8	15.8	19.0	1
Connecticut Bank & Trust	11.1	12.1	15.0	7
Connecticut Mutual Life (CM)	21.2	13.5	17.1	3
Connecticut Mutual Life (CM select)	12.8	(1)	(1)	—
Connecticut Nat'l Bank	14.8	10.6	12.7	10
Continental Illinois	18.1	11.7	14.1	8
Core States Investment, Pa.	1.7	11.9	16.6	4
Crown Life (U.S. grp.), Ontario	22.9	15.4	15.7	6
Cullen Bank, Texas	18.1	17.4	16.2	5
C&S Trust Florida	19.3	15.9	17.8	2
Dauphin Deposit (Corp.), Pa.	19.3	15.0	17.1	3
Dominion Trust (Corp.), Va.	17.2	16.6	17.2	3
Employers Life of Wausau (SA 1), Wis.	20.9	8.4	17.4	2
Equibank, Pa	12.2	8.8	10.6	10
Equitable Bank, N.Y.	11.0	5.6	13.0	9
Equitable Capital (No. 1), N.Y.	18.6	12.3	14.8	7
Equitable Capital (No. 4), N.Y.	17.5	13.2	18.6	1
Equitable Capital (Q-vest 18), N.Y.	10.1	13.9	16.0	5
Fidelity Mgmt. Trust (Growth), Mass.	8.1	(1)	(1)	—
Fidelity Mgmt. Trust (Income), Mass.	23.3	15.0	(1)	—
First Alabama Bank (I)	10.1	15.5	16.1	5
First Bank Milwaukee	11.4	9.7	13.9	8
First Chicago Investment	23.0	16.9	16.4	4
First City Nat'l Houston	5.1	11.1	15.1	6
First Fidelity Bank (Disc.), N.J.	22.8	17.2	19.8	1
First Fidelity Bank, N.J.	20.4	16.3	17.6	2
First Illinois (Corp.)	13.5	(1)	(1)	—
First Illinois (Personal)	14.2	(1)	(1)	—
First in Bartlesville, Okla.	12.2	13.2	14.9	7
First Interstate Billings, Mont.	22.1	(1)	(1)	—
First Interstate of Arizona	11.4	12.5	14.0	8
First Interstate of Oklahoma	9.0	13.6	19.6	1
First Interstate of Oregon	22.0	17.0	17.9	2
First Kentucky Trust (Fst.)	8.1	13.1	15.2	6
First Nat'l Mercantile (A), Mo.	20.6	15.9	(1)	—
First Nat'l Mercantile (Growth C)	6.2	13.2	(1)	—
First Nat'l Commerce, La.	10.9	10.3	15.0	7
First Nat'l of Tulsa, Okla.	13.9	9.0	12.1	10
First NH Investment (A)	19.3	17.0	19.3	1
First of America (Con. value), Mich.	11.9	12.9	(1)	—
First of America, Mich.	13.8	18.1	16.3	4
First of Kenosha (CT4001), Wis.	11.9	8.4	11.7	10
First of Maryland	13.2	15.4	15.5	6
First of Omaha (D), Neb.	16.7	16.9	18.2	2
First of Toledo, Ohio	9.2	10.0	11.2	10
First Security Nat'l Bank (D), Ky.	14.8	15.6	(1)	—
First Trust Corp., Colo.	15.4	15.1	18.6	1
First Union Bank, N.C.	15.5	14.5	20.5	1
First Union Nat'l Bank (Enhanced), N.C.	18.1	(1)	(1)	—
First Variable Life, Ark.	17.9	8.8	16.1	5
First Wachovia, N.C.	9.0	10.8	(1)	—
First Wisconsin Asset Mgmt. (Growth A)	7.4	11.2	15.8	5
Frazier Bank	25.2	13.5	16.8	3
Frost Nat'l (A), Texas	9.0	15.4	13.0	9
Gary Wheaton, Ill.	19.1	14.6	15.1	7
Gary Wheaton (Hedged)	27.0	(1)	(1)	—
General American (Index), Mo.	17.0	(1)	(1)	—
Greeley Nat'l, Colo.	9.9	8.6	9.1	10
Guardian Insurance (VA 1), N.Y.	21.3	17.7	20.0	1
Hamilton Bank, Fla.	3.0	11.8	14.4	8
Harris Trust, Ill.	21.2	14.8	14.8	7
Harris Trust (Low p/e), Ill.	26.5	(1)	(1)	—
Hawaiian Trust	9.7	12.9	14.3	8
Home Life, N.Y.	26.6	12.5	18.2	2
Horizon Trust, N.J.	9.0	(1)	(1)	—
HT Investors, R.I.	10.0	12.2	15.3	6
IAA Trust (C), Ill.	11.0	12.4	16.4	4
IDS Trust (A), Minn.	6.2	15.4	(1)	—
Imperial Trust, Calif.	12.6	(1)	(1)	—
Indiana Nat'l Bank	15.2	11.9	14.5	8
Irving Trust, N.Y.	21.7	15.1	16.1	5
Jefferson Trust (Growth), Ill.	24.2	15.1	15.0	7
John Hancock (1K), Mass.	19.9	16.0	18.7	3
John Hancock (1L), Mass.	15.3	14.9	(1)	—
Key Trust of the Northwest, Wash.	15.4	12.9	15.8	5
Key Trust, N.Y.	4.3	9.3	12.2	10
Liberty Nat'l, Ky.	15.3	(1)	(1)	—
Liberty Nat'l, Okla.	8.0	12.8	15.9	5
Lincoln Nat'l (Growth), Ind.	10.2	13.3	(1)	—
Lincoln Nat'l (Select), Ind.	9.9	(1)	(1)	—
Manufacturers Detroit	13.5	15.4	17.6	2
Manufacturers Life, Ontario	18.6	8.6	22.7	1
Manufacturers Life (E), Ontario	11.7	(1)	(1)	—
Manufacturers Life (C), Ontario	20.0	(1)	(1)	—
Marine Midland, N.Y.	14.9	12.4	(1)	—
Markston Investment Mgmt., N.Y.	26.5	14.9	17.6	2
Marquette Bank Minneapolis	18.0	(1)	(1)	—
Massachusetts Mutual	17.3	15.0	18.0	2
Mellon Equity Associates	11.7	16.1	15.4	6
Mercantile Bank, Mo.	16.6	13.9	15.5	6
Mercantile Nat'l, Ind.	24.5	7.5	(1)	—
Mercantile Safe, Md.	14.3	13.9	16.8	3
Merchants Nat'l (2), Ind.	15.2	13.9	16.0	5
Merchants Nat'l (1), Ind.	17.3	11.2	13.6	9
Merchants Nat'l Pa.	16.5	11.1	(1)	—
Meridian Trust, Pa.	24.7	16.4	16.3	4
Metropolitan Life (SA 40), N.Y.	8.2	12.2	(1)	—
Michigan Nat'l	10.0	8.4	10.9	10
Mid-State Bancorp, Pa.	22.6	14.3	16.8	3
Minnesota Mutual (SA C)	15.6	7.1	13.3	9
Morgan Guaranty, N.Y.	15.4	14.7	15.5	6
Morgan Guaranty (Large co.), N.Y.	15.4	16.2	15.3	6
MTrust (Growth), Texas	6.7	14.3	18.6	1
MTrust (Value), Texas	27.1	17.2	18.2	1
Mutual of New York (Growth)	9.3	11.2	13.4	9
Mutual of New York (Income)	17.4	16.4	16.3	4
Nat'l Bank of Detroit	18.4	14.5	13.8	9
Nat'l Bank of Commerce, Neb.	16.1	14.4	17.3	3
Nat'l City Cleveland	16.5	14.3	17.2	3
Nat'l Westminster Bank, N.J.	19.9	15.4	15.8	5
NBD Trust Co., Ill.	13.6	16.6	15.9	5
NCNB Nat'l Bank, N.C.	15.3	14.6	14.3	8
NCNB Texas Asset Mgmt. (Divers.)	25.9	18.8	18.2	2
NCNB Texas Asset Mgmt. (Growth)	3.1	8.7	13.4	9
NCNB Texas Asset Mgmt. (Income)	19.1	(1)	(1)	—
Nevada Nat'l Bank	6.8	(1)	(1)	—
New York Life (SA 6)	16.9	(1)	(1)	—
New York Life (SA 1)	14.3	10.7	12.7	10
Old Second Nat'l, Ill.	14.1	13.0	13.9	8
Old Second Nat'l (HR 10), Ill.	12.2	13.4	14.6	7
Oregon Bank	20.0	13.9	13.9	8
Pacific Mutual, Calif.	14.1	10.9	13.5	9
Penn Mutual Life (SA A)	13.9	12.1	16.2	4
The Phoenix, Conn.	8.7	16.3	16.9	3
Pioneer Bank, Ill.	20.0	15.7	(1)	—
Planters Nat'l (B), N.C.	14.7	9.3	14.4	8
Provident Capital, Pa.	19.9	14.7	19.2	1
Prudential (PRIDEX W-5000), N.J.	18.4	13.3	15.1	7
Prudential (PRIFORM low p/e), N.J.	23.2	14.1	(1)	—
Prudential (VCA-9), N.J.	13.8	12.2	14.3	8
Prudential Asset (1st Essex), N.J.	15.6	15.9	15.1	6
Puget Sound Nat'l, Wash.	9.7	15.3	15.1	6
PW Trust Co. (Conserv.), N.J.	12.2	(1)	(1)	—
Resource Bank & Trust, Minn.	23.4	10.4	(1)	—
Riggs of Washington	10.6	12.7	13.6	9
Sanwa Bank (Invt.), Calif.	10.3	12.8	14.1	8
SeaFirst Bank, Wash.	8.7	11.1	13.3	9
Second Nat'l Bank (Emp.), Ohio	21.8	11.2	15.2	6
Security Nat'l Bank, W. Va.	12.4	12.1	(1)	—
Security Nat'l Bank (II), W. Va.	15.2	(1)	(1)	—
Security Pacific (E), Calif.	1.8	9.2	(1)	—
Security Pacific, Calif.	17.0	(1)	(1)	—
Security Pacific (Income B), Calif.	14.5	12.8	(1)	—
Sentry Equity Services (SA B), Wis.	13.3	15.0	17.1	3
Sentry Equity Services (SA E), Wis.	21.8	(1)	(1)	—
Shawmut Bank, Mass.	17.6	13.4	(1)	—
SLH Trust (Contrarian 6), Del.	27.2	(1)	(1)	—
SLH Trust (Directions 1), Del.	7.7	15.1	(1)	—
SLH Trust (Flex growth 7), Del.	10.0	13.8	(1)	—
SLH Trust (Value 4), Del.	20.8	17.2	(1)	—
Society Nat'l (Fst. value), Ohio	9.9	14.2	15.0	7
South Carolina Nat'l	17.4	(1)	(1)	—
Southeast Bank, Fla.	12.5	13.3	16.1	5
Southtrust Bank, Ala.	13.6	14.5	12.3	10
Sovran Bank (Inst.), Va.	21.5	16.6	17.4	2
State Bank & Trust (C), Ohio	24.4	20.0	(1)	—
State Street Bank, Mass.	22.4	15.5	17.5	2
State Street Bank (Matrix synthesis)	24.5	(1)	(1)	—
State Street Bank (S&P index), Mass.	16.9	15.3	16.4	4
State Street Bank (Value I), Mass.	23.4	(1)	(1)	—
Stock Yards Bank (Emp. benefit), Ky.	17.3	(1)	(1)	—
Stock Yards Bank (Trust), Ky.	24.4	(1)	(1)	—
Summit Bank, Ind.	20.1	14.9	14.9	7
Summit Trust Co., N.J.	11.0	14.0	12.3	10
Sun Bank, Fla.	13.1	24.2	23.1	1
Texas American Bank	5.7	7.3	10.1	10
Texas Commerce (Divers.)	6.4	11.6	17.0	3
Trust Co. of West (Strategy), Calif.	14.4	(1)	(1)	—
Trust Services of America, Calif.	17.5	15.2	15.8	5
Trustcorp Bank, Ohio	10.7	13.5	13.6	9
Union Central, Ohio	32.3	14.2	16.7	3
United Carolina Bank, N.C.	15.9	12.4	(1)	—
United Missouri-Kansas City	12.4	14.3	15.5	6
United of Denver	29.3	14.6	20.4	1
U.S. Nat'l of Galveston, Texas	30.6	17.1	19.3	1
U.S. Nat'l of Oregon (Qualivest)	22.2	14.9	19.9	1
Valley Fidelity, Tenn.	12.1	12.3	16.1	5
Valley Nat'l (I), Ariz.	15.8	15.4	14.8	7
Wellington Trust (Divers.), Mass.	20.4	15.5	(1)	—
Wellington Trust (Income), Mass.	21.3	(1)	(1)	—
Wells Fargo (Index), Calif.	16.6	15.4	16.4	4
Wheeling Dollar Bank, W. Va.	10.7	13.6	17.3	2
Wilmington Trust (Growth), Del.	24.4	(1)	(1)	—
Wilmington Trust (Total return), Del.	11.6	(1)	(1)	—
Wilmington Trust (Value), Del.	17.2	(1)	(1)	—
Standard & Poor's 500 Index	16.6	15.3	16.4	2

Trust Services of America, Calif.	3.8
The Phoenix, Conn.	3.8
Dauphin Deposit (Corp.), Pa.	3.8
Morgan Guaranty (Lg. co.), N.Y.	3.8
Manufacturers Life, Ontario	3.7
Union Central, Ohio	3.7
First Union, N.C.	3.7
Nevada Nat'l Bank	3.7
Wellington Trust (Divers.), Mass.	3.7
Manufacturers Life (C), Ontario	3.7
Crown Life (U.S. grp.), Ontario	3.7
John Hancock (1K), Mass.	3.6
Morgan Guaranty, N.Y.	3.6
Ameritrust (Divers.), Ohio	3.6
Stock Yards Bank, Ky.	3.6
Horizon Trust, N.J.	3.5
First of Omaha (D), Neb.	3.5
Puget Sound Nat'l, Wash.	3.5
U.S. Nat'l of Galveston, Texas	3.4
Chancellor (Stockshift 200), N.Y.	3.4
First Chicago	3.4
Nat'l Bank of Detroit	3.4
Boatmen's Trust, Mo.	3.4
Chase Investors (Index), N.Y.	3.4
First Interstate Billings, Mont.	3.4
Standard & Poor's	**3.1**

1-year returns

	%
Boatmen's Trust, Mo.	35.8
Union Central, Ohio	32.3
U.S. Nat'l of Galveston, Texas	30.6
American Security (Hi. yield), D.C.	29.5
United of Denver	29.0
Markston invest. Mgmt., N.Y.	28.5
American Nat'l, Minn.	27.5
SLH Trust (Contrarian 6), Del.	27.2
MTrust (Value), Texas	27.1
Gary Wheaton Bank (Hedged), Ill.	27.0
Home Life, N.Y.	26.6
Harris Trust (Low p/e), Ill.	26.5
NCNB Texas (Divers.)	25.9
Firstier Bank	25.2
Meridian Trust, Pa.	24.7
State Street (Matrix syn.), Mass.	24.5
Mercantile Nat'l, Ind.	24.5
State Street Bank (C), Mass.	24.4
Wilmington Trust (Growth), Del.	24.4
Stock Yards Bank, Ky.	24.4
Jefferson Trust (Growth), Ill.	24.2
Bank One Wisconsin (Disc.)	23.7
Resource Bank, Minn.	23.4
State Street Bank (1), Mass.	23.4
Fidelity Mgmt. (Income), Mass.	23.3
Bank One, Indianapolis (C)	23.2
Prudential (PRIFCO Low Volatile)	23.2
Bank One, Indianapolis, Ind.	23.1
First Chicago	23.0
Crown Life (U.S. grp.), Ontario	22.9
First Fidelity (Disc.), N.J.	22.8
Confederation Life, Ga.	22.8
American Security, D.C.	22.6
Mid-State Bancorp, Pa.	22.6
State Street Bank, Mass.	22.4
U.S. Nat'l of Oregon (Qualivest)	22.2
First Interstate Billings, Mont.	22.1
Chancellor (Stockshift 200), N.Y.	22.1
First Interstate of Oregon	22.0
Second Nat'l Bank, Ohio	21.8
Sentry Equity (SA E), Wis.	21.8
Irving Trust, N.Y.	21.7
Banc One Asset (Growth), Ohio	21.7
Sovran Bank (Inst.), Va.	21.5
Wellington Trust (Income), Mass.	21.3
Guardian Insurance (VA 1), N.Y.	21.3
Harris Trust, Ill.	21.2
Connecticut Mutual	21.2
Employers Life of Wausau (SA 1)	20.9
SLH Trust (Value 4), Del.	20.8
First Nat'l Mercantile (A), Mo.	20.6
Wellington Trust (Divers.), Mass.	20.4
First Fidelity, N.J.	20.4
Colonial American Nat'l (C), Va.	20.3
Ameritrust (Divers.), Ohio	20.1
Summit Bank, Ind.	20.1
Pioneer Bank, Ill.	20.0
Oregon Bank	20.0
Manufacturers Life (C), Ontario	20.0
John Hancock (1K), Mass.	19.9
Nat'l Westminster Bank, N.J.	19.9
Provident Capital, Pa.	19.9
Chase Manhattan (Spectrum)	19.8
Citytrust (E1), Conn.	19.7
Chicago Title & Trust, Ill.	19.6
Standard & Poor's	**16.6**

3-year returns

	%
Bank One, Indianapolis (L)	21.3
Sun Bank, Fla.	20.2
First Chicago	19.4
United of Denver	18.5
State Bank (C), Ohio	18.4
Bank One Wisconsin (Disc.)	18.3
SLH Trust (Value 4), Del.	17.6
South Carolina Nat'l	17.6
State Street (Matrix syn.), Mass.	17.5
First Fidelity (Disc.), N.J.	17.4
Crown Life (U.S. grp.), Ontario	17.4
NCNB Texas (Divers.)	17.0
Sovran Bank (Inst.), Va.	16.7
Capital Trust (I), Ore.	16.1
NCNB Nat'l, N.C.	16.0
First Illinois (Corp.)	15.8
State Street (Value I), Mass.	15.7
First Fidelity, N.J.	15.7
First Illinois (Personal)	15.6
Texas Bank, Texas	15.6
Associated Manitowoc, Wis.	15.5
Dominion Trust (Corp.), Va.	15.4
American Security (High yield)	15.4
Irving Trust, N.Y.	15.3
First Alabama (I)	15.3
NCNB Texas (Income)	15.3
U.S. Nat'l of Oregon (Qualivest)	15.2
First Nat'l Mercantile (A), Mo.	15.2
The Phoenix, Conn.	15.2
State Street Bank, Mass.	15.1
Mutual of New York (Income)	15.0
Associated Bank Neenah, Wis.	14.9
California First	14.9
Union Central, Ohio	14.8
Southtrust Bank, Ala.	14.7
U.S. Nat'l of Galveston, Texas	14.6
Meridian Trust, Pa.	14.5
SLH Trust (Flex 7), Del.	14.5
American Nat'l, Minn.	14.5
Markston Investment Mgmt., N.Y.	14.4
Firstier Bank	14.3
Guardian Insurance (VA 1), N.Y.	14.3
Confederation Life, Ga.	14.2
First Security Nat'l (D), Ky.	14.2
Chase Investors (Index), N.Y.	14.2
Harris Trust (Low p/e), Ill.	14.1
John Hancock (1K), Mass.	14.1
First NH Investment (A)	14.1
First of Maryland	14.1
General American (Index), Mo.	14.0
C&S Trust Florida	14.0
First Nat'l Mercantile (C), Mo.	13.9
Bessemer Trust, N.Y.	13.9
Citizens Fidelity (E), Ky.	13.8
Jefferson Trust (Growth), Ill.	13.8
Lincoln Nat'l (Select), Ind.	13.8
Bank of Delaware (VIP)	13.7
Trust Services of America, Calif.	13.7
Standard & Poor's	**13.4**

5-year returns

	%
Sun Bank, Fla.	24.2
State Bank (C), Ohio	20.0
NCNB Texas (Divers.)	18.8
First of America, Mich.	18.1
Guardian Insurance (VA 1), N.Y.	17.7
Associated Bank Neenah, Wis.	17.4
Cullen Bank, Texas	17.4
SLH Trust (Value 4), Del.	17.2
MTrust (Value), Texas	17.2
First Fidelity (Disc.), N.J.	17.2
U.S. Nat'l of Galveston, Texas	17.1
First Interstate of Oregon	17.0
First NH Investment (A)	17.0
First Chicago	16.9
First of Omaha (D), Neb.	16.9
NBD Trust, Ill.	16.6
Sovran Bank (Inst.), Va.	16.6
Dominion Trust (Corp.), Va.	16.6
Mutual of New York (Income)	16.4
Meridian Trust, Pa.	16.4
First Fidelity Bank, N.J.	16.3
The Phoenix, Conn.	16.3
Morgan Guaranty (Lg. co.), N.Y.	16.2
Bank One Wisconsin (Disc.)	16.1
Mellon Equity	16.1
Barnett Banks, Fla.	16.0
John Hancock (1K), Mass.	16.0
Bank of New England (Valuepath)	16.0
C&S Trust Florida	15.9
Prudental Asset (1st Essex), N.J.	15.9
First Nat'l Mercantile (A), Mo.	15.9
Confederation Life, Ga.	15.8
Associated Manitowoc, Wis.	15.8
Pioneer Bank, Ill.	15.7
First Security Nat'l (D), Ky.	15.6
Chancellor (Multifact), N.Y.	15.6
Citytrust (E1), Conn.	15.6
State Street Bank, Mass.	15.5
Wellington Trust (Divers.), Mass.	15.5
Chancellor (Indexplus), N.Y.	15.5
First Alabama (I)	15.5
Citizens Fidelity (E), Ky.	15.5
Wells Fargo (Index), Calif.	15.4
Colorado Nat'l Bank	15.4
Bankers Trust (Index), N.Y.	15.4
Valley Nat'l (I), Ariz.	15.4
First of Maryland	15.4
Manufacturers Detroit	15.4
Nat'l Westminster Bank, N.J.	15.4
Frost Nat'l (A), Texas	15.4
IDS Trust (A), Minn.	15.4
Crown Life (U.S. grp.), Ontario	15.4
Standard & Poor's	**15.3**

10-year returns

	%
Sun Bank, Fla.	23.1
Manufacturers Life, Ontario	22.7
First Union Bank, N.C.	20.5
United of Denver	20.4
Guardian Insurance (VA 1), N.Y.	20.0
U.S. Nat'l of Oregon (Qualivest)	19.9
First Fidelity (Disc.), N.J.	19.8
First Interstate, Okla.	19.6
U.S. Nat'l of Galveston, Texas	19.3
First NH Investment (A)	19.3
Provident Capital, Pa.	19.2
Confederation Life, Ga.	19.0
Bessemer Trust, N.Y.	18.9
MTrust (Growth), Texas	18.6
First Trust, Colo.	18.6
Equitable Capital (4), N.Y.	18.6
MTrust (Value), Texas	18.2
Home Life, N.Y.	18.2
NCNB Texas (Divers.)	18.2
First of Omaha (D), Neb.	18.2
Massachusetts Mutual	18.0
First Interstate of Oregon	17.9
C&S Trust Florida	17.8
American Nat'l Chicago (Active)	17.8
Prudential Asset (1st Essex), N.J.	17.7
Manufacturers Detroit	17.6
First Fidelity Bank, N.J.	17.6
Markston Invest. Mgmt.	17.6
Colorado Nat'l	17.5
State Street Bank, Mass.	17.5
Citytrust (E1), Conn.	17.5
Sovran Bank (Inst.), Va.	17.4
Employers Life of Wausua (SA 1)	17.4
Wheeling Dollar Bank, W.Va.	17.3
Citizens Chillicothe (B), Mo.	17.3
Nat'l Bank of Commerce, Neb.	17.3
Nat'l City Cleveland	17.2
Dominion Trust (Corp.), Va.	17.2
Sentry Equity (SA B), Wis.	17.1
Connecticut Mutual	17.1
Dauphin Deposit (Corp.), Pa.	17.1
Texas Commerce (Divers.)	17.0
The Phoenix, Conn.	16.9
Standard & Poor's	**16.4**

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Cisneros to start firm

By Curtis Vosti
and Fred Williams

SAN ANTONIO, Texas — Mayor Henry G. Cisneros, who has announced he won't seek re-election this spring, is near to teaming up with Criterion Investment Management Co., Houston.

Mr. Cisneros will become chairman of a newly formed investment management firm in March, to be called Cisneros Group Inc., that will specialize in fixed-income securities.

The firm is expected to sign a contract with Criterion, which will advise, train, help manage and own a small portion of the fledgling firm as it gets off the ground, said Narciso Cano, chief financial officer of Hogan Properties, a San Antonio real estate firm, and who will be president of Cisneros Group.

Charles Miller, president of Criterion, said the idea to establish the Cisneros Group came from Mr. Cisneros and his associates. "They came to us, we didn't sell him on it. It was what he wanted to do."

Mr. Miller said Criterion would provide investment management assistance to the Cisneros Group on a sub-adviser basis rather than actual investment training to Cisneros people.

Mr. Cisneros, said he was very excited about his new business undertaking. "I have searched a long time for an opportunity that I wanted to address" after leaving office in June, he said.

He said the Cisneros Group will be based in San Antonio, although Mr. Cano will set up his office with Criterion in Houston, from which asset management will be handled.

As chairman, Mr. Cisneros said he will devote his energy to "setting the direction of the company and I will focus on working to bring funds under management. I will spend a lot of time with fund officials and with corporate and public officials across the country."

H. Cisneros

He said Criterion will work with the Cisneros Group and help manage assets for about four years while the new group develops a style and track record and builds an asset base.

Criterion will own 15% of the firm.

"The key to us was that they are all excellent businessmen, leaders and managers," Mr. Miller said. "It is true they haven't managed money but we said they are starting with fine people and can fulfill virtually all the functions of an investment manager such as client services, marketing and administrative services. These are all very important to managing money," said Mr. Miller.

"What they will be doing in the short term is turning the money over to us and as we hire additional staff (for the Cisneros Group) they will eventually be able to fly on their own," Mr. Miller said.

Mr. Miller said Criterion would receive a percentage of the investment management fee charged by the Cisneros group, but he declined to elaborate.

Mr. Cisneros said that while the firm will be started and managed by Hispanics, "we want to break the stereotype that we will be a minority firm only going after public pension funds. We may be minority persons, but will not concentrate on minority business . . . Our central objective will be to address the needs of a growing market."

No clients have been lined up yet.

He said all his attention has been devoted to organizational activities only until his term as mayor expires.

Mr. Cisneros, who has been mayor of San Antonio since 1981, announced last year he would not be seeking re-election.

The popular mayor has been credited with helping develop San Antonio into a national and regional center for business and commerce and one of the fastest growing cities in the nation. ■

Rivalry

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recapitalizations are less leveraged than other reorganizations, are not usually hostile and offer excellent returns, said Peter Deeks, senior vice president at Donaldson, Lufkin & Jenrette, New York.

Executives from two New York boutique firms — Dent & Co. and Pembroke Development Corp. — that specialize in these deals said they are working on several private recap deals, and institutional investors are ready to be tapped. David S. Bullett, senior vice president, TIAA-CREF, said his fund invests heavily in private recaps.

Marcus Dash, vice president at Goldman, Sachs & Co., New York, listed a variety of new products, including debt with a royalty structure that permits lenders to participate directly with issuers in the success of the business in exchange for a lower fixed interest cost. Usually these issues are structured as debt with equity participation in the form of contingent interest, share of income or royalty interest (on revenues directly).

He said the number of arbitrage-driven deals also is growing. The arbitrage opportunity occurs because issuers can take advantage of currency, tax or accounting differences in various countries. Issuers are high-credit-quality companies that are frequently raising money. The deals often involve a series of interest rate or currency swaps. Because the deals are so complex, investors receive a complexity premium, Mr. Dash said.

Kevin Newman, managing director at The First Boston Corp., pointed to growing interest among institutional investors in project financings for equipment purchases, to build power generation facilities and other industrial projects such as petrochemical plants. Structured financings such as asset-backed securities also are attracting more institutions.

Bob Joyal, vice president and managing director at Massachusetts Mutual Life Insurance Co., Boston, said his company invested $1.3 billion in private placements in 1988 and is investing heavily in employee stock ownership plan notes, an increasingly popular financing and defensive technique. "1989 may be the year of the ESOP," Mr. Joyal said.

Mall sell-offs

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tell part of the story: Household formation is slowing dramatically and the Baby Boom generation is aging. In addition, Mr. Wilson said, "The country has more shopping centers than it really needs, while at the same time they're still building them, so that, combined with a proliferation of retailers, we've got dramatic overstoring."

But this isn't stopping many institutional investors from active interest in retail properties. More than 85% of real estate investment advisers are actively looking for retail properties today, according to Retail Consultants Inc., Milburn, N.J.

This sort of demand is naturally encouraging mall owners to try to book a tidy profit in 1989 by selling some properties. Peter Speis, a Goldman, Sachs & Co. vice president who oversees equity real estate sales, said he expects to see as many as 40 regional malls being offered in 1989. A more typical year, he said, would see something like a dozen regional malls offered for sale.

"We've already seen many cap rates fall into the fours or, if there are redevelopment opportunities, below four," said Mr. Speis. He cited two malls sold last year, one in central New Jersey and one in western Pennsylvania, which sold at cap rates of less than 4%.

Many of the malls entering the market are being sold for reasons tied to declining demographics and retail sales, said one insurance company real estate executive, who asked not to be identified. "We're selling malls right now. If you asked us in an interview, we'd talk about portfolio management and maturing centers and taking our profits, but (the other considerations) are the real reasons."

The combination of low yields and a cloudy future at best are throwing up warning flags for investors. "I'd tread very, very carefully today. You could get blown away. If you're buying something with a nine (percent) cap, there's some room for error. But if you're starting at five, you don't," said James B. Digney, senior vice president of real estate services at Metropolitan Life Insurance Co., New York. In contrast, he said, Met Life bought the Oakbrook (Ill.) Mall from Urban Investment & Development Corp. for a 10% cap rate in 1975.

Because of such dangers, a pension fund making its first shopping center investment today might consider waiting, said John Somers, senior vice president of TIAA, part of the $67.14 billion Teacher's Insurance and Annuity Association — College Retirement Equities Fund, New York.

"I would certainly suggest to them that unless they're in partnership with an experienced joint venture partner, don't do it, not even at 6% or 7%" returns, he said.

TIAA is planning a $500 million, 4 million-square-foot retail and entertainment complex in Bloomington, Minn., in a joint venture with Indianapolis-based Melvin Simon & Associates, the country's second largest retail developer.

The demographic considerations prompting such second thoughts include falling household formations, an expected decline of overall spending — and a concomitant rise in savings — and a low birth rate.

Annual household formations are expected to fall to no more than 1.1 million by the mid-1990s from a current average of 1.5 million, according to George Sternleib, distinguished professor of urban studies at Rutgers University, New Brunswick, N.J.

As the Baby Boom generation enters its 40s and begins saving either for retirement or to send its children to college, the spending rate is expected to fall.

The birth rate is now 1.8 children per couple, or less than population replacement levels, compared with almost four children for the average post-World War II family. In addition, most population growth is occurring among poor, urban families, rather than affluent suburban families.

These elements, say bears, mean lower retail spending and therefore declining yields on shopping centers. They point out that in five or six years the numbers of "Boomers" entering and leaving their prime spending years will have balanced, leaving only another five or six years of retail sales growth before decline sets in as a consequence of the "Baby Bust" that followed the Boom.

This, cynics say, is why malls will be put up for sale in greater numbers than previously seen.

Shopping center bulls don't dispute the demographics, only the interpretation. The "Boomers," for instance, grew up in an inflationary environment, said Brian J. Strum, chairman of the Prudential Property Co., a unit Prudential Insurance Co. of America,, Newark, N.J.

"There's a feeling that if I buy it now, I'll save money because it'll cost more next year, and maybe I'll save enough to make it worthwhile," he said. Inflation, he added, is continuing at a 4.5% to 5% annual rate.

"Boomer" aging, said Mr. Strum, will not necessarily mean lower mall income in any event, because of ingrained generation habits like dining out and going to movies, which, in the suburbs, are the province of malls. "I think total sales will continue to be good," he said. "The (retailing) mix may change, but the sales will continue."

Mr. Strum recently put his money where his mouth is. After years of buying almost no retail property, Prudential last year invested $550 million, in a joint venture with Simon, for 50% interests in 25 malls controlled by May Department Store Co., St. Louis. Several of the malls will be redeveloped by the joint venture. ■

Hope for thrifts

Continued from page 8

concerned about how Resolution Funding Corp.'s 30-year bonds — whose principal will be met with investments in government zero-coupon bonds, entirely from existing thrift industry funds — will be received in the market. The terms of the securities — such as whether they will be defeased with zero coupons or non-marketable Treasuries — are not yet known.

Institutional ownership of S&Ls and banks*

	$	%
Savings & loans	6.3	55
Money center banks	17.2	63
Major regional banks	40	21
Other major banks	5	55

*Data as of Sept. 30, in $ billions and % of stock outstanding

Source: CDA Investment Technologi ..nc., Rockville, Md.

If the proposed $50 billion infusion of long bonds into the market is staggered over three years with issues of about $15 billion per year, the supply of securities in the long-term bond market will increase 21% annually, compared with the typical 16% annual rise, according to a fixed-income research report by Drexel Burnham Lambert.

The long-term Treasury market is about $250 billion currently, the report said.

"You have created a very substantial sector of the market when you've added $50 billion in the 30-year range. . . . If the general population of investors doesn't like (RFC bonds) you could have a significant impact on the yield curve itself," said Ellen Safir, managing director of fixed income for the $5 billion Howard Hughes Medical Institute endowment fund, Bethesda, Md.

"I'm assuming (the bonds) will be long and non-callable and very high quality. There's a limited supply of instruments with those qualities," Ms. Safir said. "These items are going to be as close to Treasuries as you can get without being Treasury securities," she added.

Mr. Ciminero doesn't think the proposed dollar solution to the savings and loan crisis is adequate.

In addition, more headlines on the battles between savings and loans and banks and between the FSLIC and the Federal Deposit Insurance Corp. won't bode well for stock prices.

"Large S&Ls in trouble have been told by the FHLB or FSLIC to borrow short-term and lend long-term but now we have a flat yield curve," meaning negative interest rate spreads for these savings and loans, Mr. Ciminero said.

Fleet/Norstar Financial is neutral to modestly bullish on certain commercial bank stocks.

Kemper's Ms. Heavner has not recommended savings and loans for the past year and a half and the firm is fairly low in its savings and loan holdings.

Before the firm would emphasize thrifts, it would have to have a more favorable interest rate outlook, a more concrete sense of what governmental action will be taken long-term about restructuring of the Federal Home Loan Bank Board and the FSLIC.

Ms. Heavner sees some good values among banks, which are not as sensitive to interest rate risk, but she is not recommending a heavy weighting in the sector because of the possibility of an economic slowdown.

Institutional investors were hot on thrift stocks, especially new issues, from 1984 through the beginning of 1987, Drexel's Ms. Steinberg said.

But initial public offering prices fell sharply in the October 1987 stock market crash and have not recovered especially because institutions have been avoiding savings and loans with the recent rise in interest rates.

According to the Salomon Brothers Thrift Index, composed of 25 of the largest thrifts in the country, by early December savings and loan stock prices had declined 15% from their year-to-date high reached in early February 1988. ■